

# MATATIELE

LOCAL MUNICIPALITY - UMASIPALA WASE –  
MUNISIPALITEIT

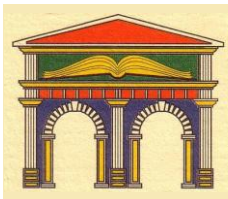


ANNUAL REPORT  
2007/2008

Prepared By:

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## GENERAL INFORMATION

### **MAYOR**

Cllr Ntai Sello

### **GRADING OF LOCAL AUTHORITY**

Grade 5

### **AUDITORS**

Auditor-General

### **BANKERS**

First National Bank of South Africa, Matatiele

### **REGISTERED OFFICE**

102 Main Street

P.O. Box 35

MATATIELE

4730

Telephone: 039-7373135

Fax No. 039-7373611

### **MUNICIPAL MANAGER**

Mr. C.T.L.N KHOHLOKOANE

### **STRATEGIC MANAGER**

MS. T.S. NTSALLA

### **GENERAL MANAGER: ECONOMIC DEVELOPMENT AND PLANNING**

MS. K.E. KABI – NOMBUNGU

### **GENERAL MANAGER: CORPORATE SERVICES**

MR. Z.J. MKHIZE

### **GENERAL MANAGER: TECHNICAL SERVICES**

MR. T. NGOZWANA

### **FINANCIAL MANAGER**

Mr D C van Zyl: Registered Municipal Accountant (Associate) AIMFO





## CHAPTER 1

### Introduction and Overview

#### MESSAGE FROM THE MAYOR:

It is my pleasure to present to you the Annual Report of the Matatiele Local Municipality for the financial year 1<sup>st</sup> July 2007 to 30 June 2008. Matatiele formed by the amalgamation of the communities who were previously in uMzimvubu and some parts of eLundini Municipality. It is important we note these major changes and also the challenges that we currently face as we attempt to put service delivery on top of our agenda. The first and second quarters of the financial year have been marked by serious challenges in terms of having to address the demarcation issues and concerns. Also having to deal with the passing away of our Municipal Manager Mr. ED Putzier. These circumstances, which were beyond our control, delayed the manner in which we had planned to respond to the needs of our communities.

Despite these challenges the municipality has been able to be fully operational and functional, for example:

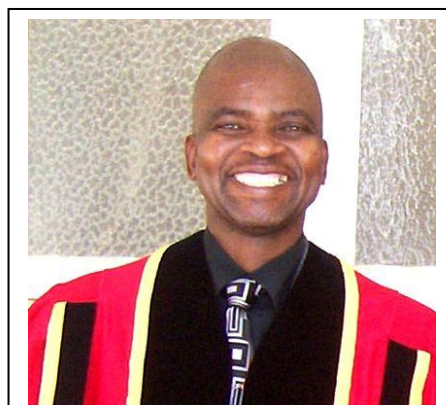
- Amalgamation of all municipal administration into one central place,
- Revised IDP to incorporate the needs of all 24 wards
- Passing of the Budget based on 24 wards needs and priorities
- Establishment of a Special Programs Unit focusing on the issues of HIV/AIDS, Youth, Disabled and Gender
- The holding of a Strategic Planning exercise with all councillors, management, union representatives and our neighbouring municipalities and Alfred Nzo District Municipality to finalize issues of establishment as contained in the Section 12 notice, Finalization of the Municipal Organizational Structure and Service Delivery Budget Implementation Plan (SDBIP) and Balance Score Card as our Key Performance Areas.

I am pleased that the completion of these long outstanding issues will assist our managers to focus on service delivery as we move to the 3<sup>rd</sup> and 4<sup>th</sup> quarters in our financial year. All of the above mentioned elements are contained in this report in detail.

I take this opportunity to express my sincere and appreciation to National and Provincial Leadership and trust that our inter-governmental relation will grow from strength to strength as we implement the 2006 – 2011 agenda for local government.

Last but not least to my Wife and Family for their Support during the year, Thank you

**CLLR NTAI SELLO**  
**MAYOR: MATATIELE**







## MUNICIPAL MANAGERS OVERVIEW

The year ended 30<sup>th</sup> June 2008 was indeed a year of mixed fortunes for Matatiele Local Municipality. There are certain achievements that we can be proud of while there are certain goals that we did not reach.

Matatiele Local Municipality was classified a Medium Capacity municipality by National Treasury. It converted its financial statements to the new GAMAP/GRAP accounting standards two (2) years prior to the required date. At 30 June 2008 it held investments in the amount of R 71.6 million and its assets amounted to R 105 million. However, its outstanding debtors of R 12 million are a cause of concern.

We are proud to be one of few municipalities in the Eastern Cape Province that received an unqualified audit report from the Auditor General for the year ending 30 June 2008. This was the result of hard work from the Budget and Finance department that ensured our reporting complies with the new accounting standards as well as other departments that responded to the request to ensure that things are done right the first time. Various control and compliance issues were raised by the Auditor General that has to be addressed during the 2008/2009 financial year.

The appointment of three (3) general managers that took up their positions on 1<sup>st</sup> December 2007 resulted in all management positions being filled for the first time since the establishment of the Municipality on 1<sup>st</sup> March 2006. Departments must now be populated in terms of the approved Organogram. The demand from the communities to improve infrastructure and to develop the rural villages is so great that a decision must be taken on whether staff is going to be employed to provide basic services or whether these funds will be used on infrastructure development. The challenges that we face regarding infrastructure backlogs are great.

Local economic development is promoted and various requests for business sites to build shopping malls were received. Council resolved that a Development Master Plan which includes a Spatial Development Framework as well as infrastructure requirements must be compiled before any land is sold. This master plan is almost complete and will be submitted to Council for adoption shortly.

All *Special Programmes Unit* sub-programs were integrated into the key priority areas to lobby and advocate all interested and relevant parties to prioritise and render services to all designated groups. The following activities were performed:

Council Formed with a Youth Plan from 2007 to 2011	Disability Forum Formed
Women's Forum Formed	Elderly Forum Formed
Men's Forum Formed	Local Aids Council Formed
Take a girl child to work yearly	

I do believe that limited resources are being used productively. Huge backlogs exist in our rural areas which will never be eradicated using the normal financing mechanisms. All government departments will have to be lobbied to assist with the implementation of our programmes.



**Mr DC van Zyl - Chief Financial Officer**







## Overview of the Municipality

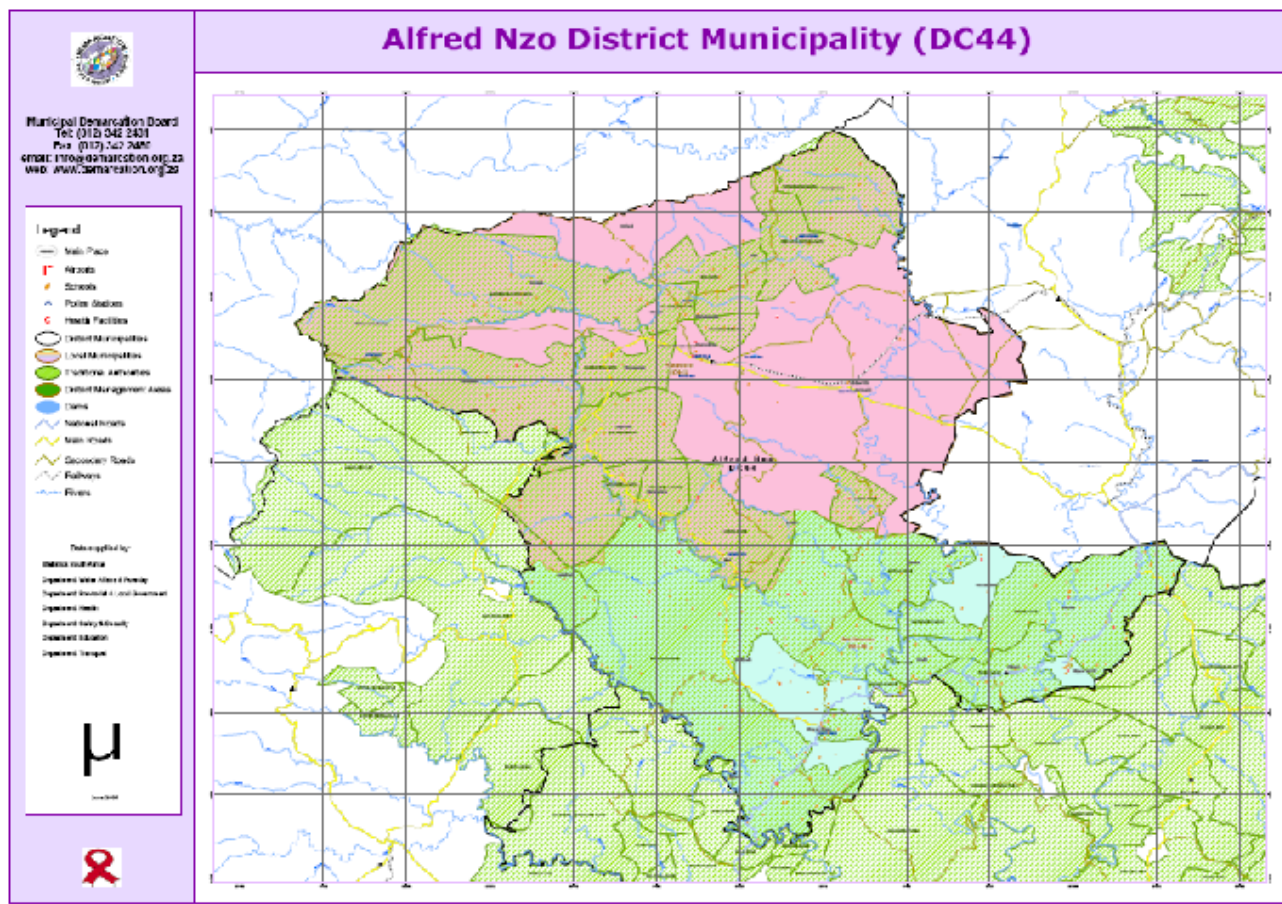
### Key features

Matatiele Local Municipality is located in the Eastern Cape and falls under the District municipality Alfred Nzo District Municipality [DC44]. The municipality of EC441 consists of 24 wards. The new name of the municipality is Matatiele Local Municipality and the geographical area of the municipality is 4352.3270 square kilometers.

The name is derived from the Basotho language and means “the ducks have flown”, in an apparent reference to the abundance of water fowl that even today inhabit the surrounding pools and marsh-lands.

The Town is served with good rail, road and air links which support its main role as that of a commercial and Industrial Service Centre to the vast hinterland of the Eastern Cape Province and Southern Lesotho.

### Geographical area/Maps







## Demographical profile

### CENSUS REPORT

#### 1. BACKGROUND

Statistics South Africa released the 2001 Census information at Municipal level during 2003. This section contains more recent statistical information and indicates changes in the 5 year period showing changes from 1 March 2006 which reflects the amendments to the Municipal boundaries that have taken place.

The Census data indicates that population of the Matatiele Municipality increased from 16226 persons in 2001 to 194629 persons in 2006. This increase affects all other areas of these statistics, as will be seen.

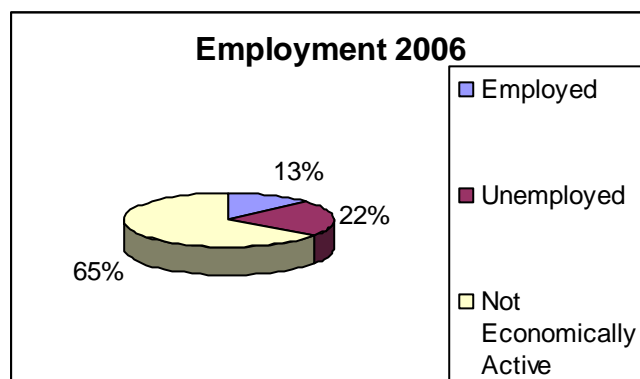
Matatiele Municipality: Key Municipal Demographic Information 2001 Census And 2006 Update As Summarized below:

	2001	2006
<b>Total Population</b>	16,226	19,4629
<b>Male</b>		
<b>Female</b>		

#### 2. EMPLOYMENT STATUS OF MATATIELE MUNICIPALITY

The overall employment status is summarized as follows:

	2001	2006
Employed	5,438	13,055
Unemployed	2,325	21,955
Not Economically Active	2,739	65,202
<b>Total Labour Force</b>	<b>5,438</b>	<b>13,055</b>



This table indicates that the number of people employed in the municipal area has increased.

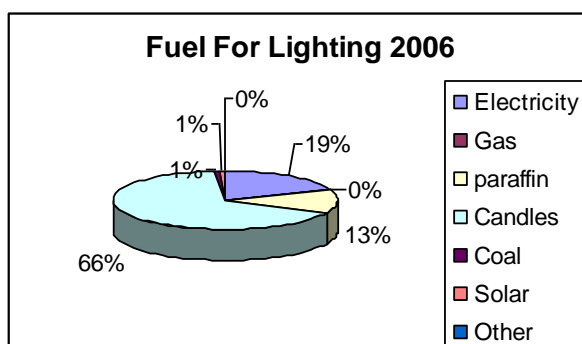


### 3. PROVISION OF SERVICES

#### Fuel For Lighting

The 2001 Census data indicates that only 55 % of the households use electricity for lighting and 36% use candles whereas in the 2006 update the data indicates that 11 % of the households use electricity for lighting and 39 % use candles.

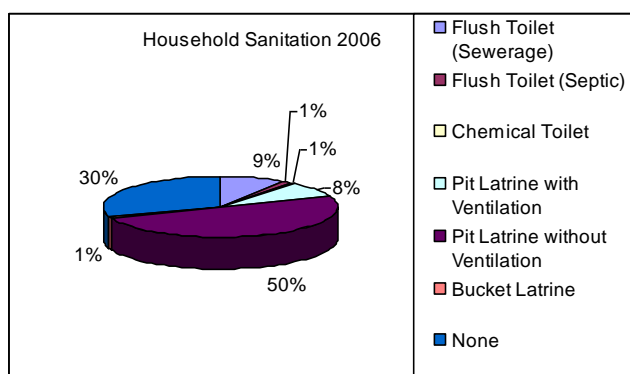
	2001	2006
Electricity	2,885	8,973
Gas	18	115
Paraffin	425	6103
Candles	1,877	31,388
Coal		443
Solar	3	336
Other	16	17
<b>Total</b>	<b>5,224</b>	<b>82,385</b>



#### Household Sanitation

The following table summarizes the toilet facilities by household.

	2001	2006
Flush Toilet (Connected sewerage system)	3,806	4,023
Flush Toilet (Septic Tank)		659
Chemical Toilet	233	266
Pit Latrine with ventilation (VIP)	706	3,650
Pit Latrine without ventilation		22,535
Bucket Latrine	32	315
None		13,515
<b>Total</b>	<b>4777</b>	<b>44697</b>





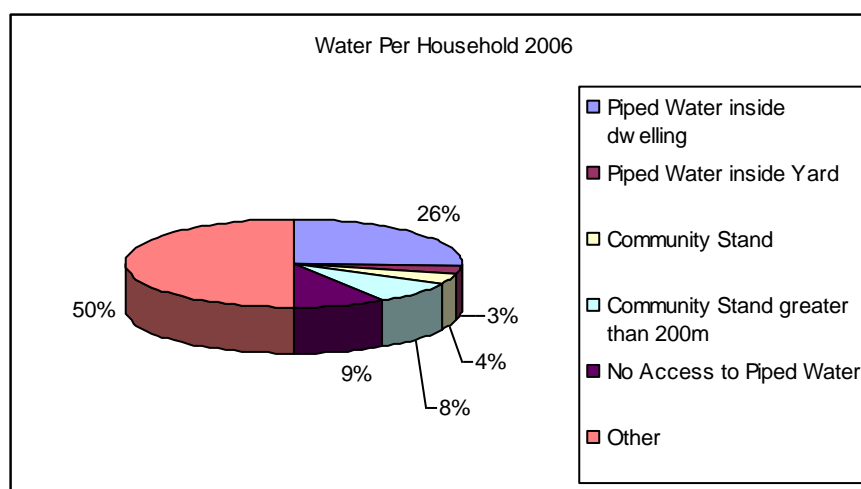


Ideally all households should be served by at least a Pit Latrine with Ventilation (VIP). 3,806 households indicated that they use flush toilet facility in the 2001 census and 4,023 in the 2006 update.

## Water

The 2001 Census indicates that about 52 % of households had access to water inside dwelling and 25 % in the 2006 update.

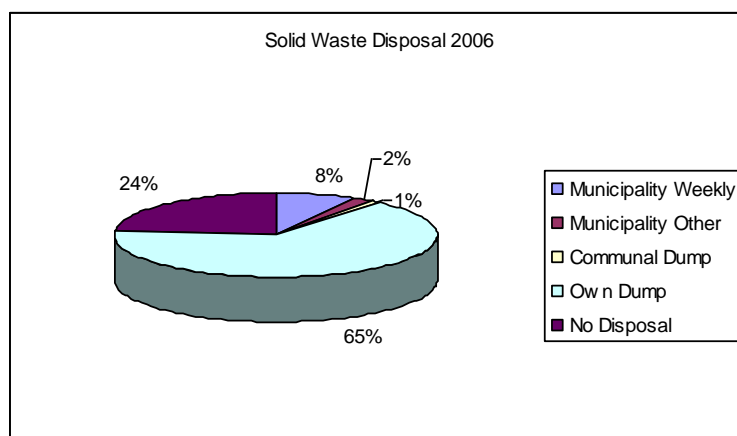
	2001	2006
Piped water inside dwelling	2,694	24,169
Piped water inside yard	1,776	3,148
Community Stand	317	3,798
Community stand greater than 200m	178	7,773
No Access to Piped Water		8,476
Other	257	47,332
<b>Total</b>	<b>5,222</b>	<b>94,696</b>





## Solid Waste

### HOUSEHOLD SOLID WASTE DISPOSAL 2001 AND UPDATED 2006



	2001	2006
Municipality Weekly	2,996	3,871
Municipality Other	667	999
Communal Dump	49	428
Own Dump	999	30,911
No Disposal	512	11,159
<b>Total</b>	<b>5,223</b>	<b>47,368</b>

Solid Waste removal in 2001 only covered 57 % by the Municipality and in the 2006 update it had decreased to 56 %. 10 % in 2001 had no solid waste removal and it increased to 24 % in 2006.

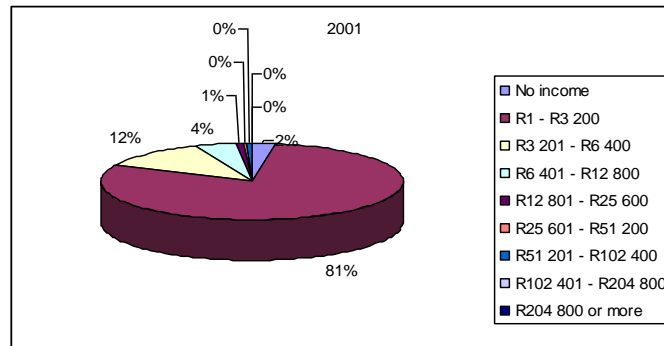
## HOUSEHOLD INCOME

### 2001

No income	19038
R1 - R4 800	5734
R4 801 - R9 600	12261
R9 601 - R19 200	5254
R19 201 - R38 400	2355
R38 401 - R76 800	1451
R76 801 - R153 600	740
R153 601 - R307 200	203
R307 201 - R614 400	74
R614 401 - R1 228 800	38
R1 228 801 or more	171

In terms of the above statistics 95 % of the households in Matatiele had an annual income of less than R6 400 a year.

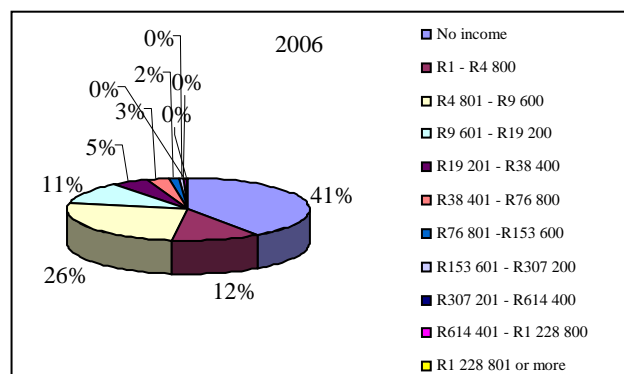




## HOUSEHOLD INCOME

### 2006 UPDATE

	2001
No Income	129
R1 - R3 200	4350
R3 201 - R6 400	636
R6 401 - R12 800	241
R12 801 - R25 600	37
R25 601 - R51 200	17
R51 201 - R102 400	23
R102 401 - R204 800	7
R204 804 or more	0
Total	5440



In terms of the above statistics 90 % of the households in Matatiele had an annual income of less than R19 200 year.



## Executive Summary & Management Profile

### Our Vision

To build up socio – economic capacity of communities to improve their quality of life in a safe and healthy environment whilst encouraging entrepreneurship amongst its stakeholders

### Mission

To be an organization where communities work together to stimulate and facilitate socio – economic development activities by the year 2011.

### Strategic Objectives

#### Developmental:

- Finalization and Implementation of LED Strategy
- Establishment of an inclusive LED Forum or Business Chamber
- To remain financially viable

#### Services:

- To provide at least a minimum level of services to all residents, including health and social services, in accordance with national governments guidelines on service delivery and with due regard to affordability.

#### Institutional:

- to improve communication channels both within the Municipality, and between the Municipality and other key role players..
- to improve the skills and expertise within the Municipal Staff to ensure efficient and effective administration and service delivery.
- retain the financial viability of the Municipality.
- to initiate an entrepreneurial approach to Local Government through strategic partnerships.



## Municipal Financial & Administrative Conditions

The increased size of the municipality with the inclusion of a vast rural component has placed a considerable burden on the financial resources of the municipality, and it is therefore largely dependant on grant funding from the National and Provincial Governments for service delivery.

The implementation of the Municipal Property Rates Act will provide some enhancement to the revenue base of the municipality, but it will be negligible in relation to the large indigent component within the municipal area.

The municipality is currently in the process of finalising Organograms and Job descriptions to create the necessary administrative structure befitting the expansion of service delivery requirements.

## Council Structures

The Matatiele Municipal Council operates on a Collective Executive System, therefore four Standing Committees have been established in terms of Section 79 of the Local Government Municipal Structures Act, (Act 117 of 1998). Matatiele has 48 Councillors. The Executive Committee reports to Council.

Council in its Code of delegations has approved the following portfolios with functional areas. The Mayor will allocate Portfolios to Councillors;

- Budget & Treasury
- Corporate Services
- Economic, Planning and Development
- Infrastructure.
- Special Programmes Unit

The above portfolios will operate as Standing committees and these Standing committees will report to the Executive Council. Standing committees will function;

- To develop and recommend strategy.
- To develop and recommend by-laws
- To ensure public participation in the development of policy, legislation, IDP and budget.
- To monitor the implementation of Councils policies.

## Ward Committees

Ward committee members for all twenty four (24) wards were inaugurated on 16 October 2006 and is a competency of the Office of the Speaker. Each ward committee consists of ten (10) members and is paid a monthly stipend of R 200 from Matatiele Local Municipality. The lack of office accommodation and equipment is a challenge that is currently being addressed.



## Members of the Council

Councillor/Alderman:

		SURNAME	NAMES	PARTY
1.	MAYOR	SELLO	NTAI, SAMUEL	ANC
2.	SPEAKER	NKOPANE	NTOMBOVUYO, SILBEROSE	ANC
3.	EXCO CLLR	SELLO	SANDILE AUGUSTINUS	ANC
4.	EXCO CLLR	SIGALELANA	VUYANI, COLLIN	ANC
5.	EXCO CLLR	MDINGI	NOLUFEFE	ANC
6.	EXCO CLLR	MAKASHANE	MAJORIE, NONTOMBI	ANC
7.	EXCO CLLR	MOSO	PATIENCE, DOLLY	ANC
8.	EXCO CLLR	MAHEM	KOLEKA, LAETITIA	ANC
9.	EXCO CLLR	CANHAM	CEDRIC DANIEL CALLAWAY	ANC
10.	EXCO CLLR	MUNYU	JOSEPH, ZAMA	ANC
11.	ALF NZO REP	NOTSHELE	MARIA, MOLAENG	ANC
12.	ALF NZO REP	POPKHANE	MOSELE, MARIA	ANC
13.	ALF NZO REP	MFULANA	WILLIAM, BUNTUBUNZIMA	ANC
14.	ALF NZO REP	NYAMAKAZI	MOSES, MTHETHONZIMA	ANC
15.	ALF NZO REP	MTSHONISWA	LILLIAN, SEKIWA	ANC
16.	ALF NZO REP	MBUTO	PATRICK	ANC
17.	ALF NZO REP	MHLALA	VUYANI, VICTOR	ANC
18.	ALF NZO REP	MAOME	BENJAMIN, NDLALA	ANC
19.	COUNCILLOR	MCELELI	EDITH	ANC
20.	COUNCILLOR	GANYA	NOMBULELO, ALBERTINA	ANC
21.	COUNCILLOR	JAFTA	BERNARD	ANC
22.	COUNCILLOR	NOTSHELE	ROSEMARY, NOMTHETHO	ANC
23.	COUNCILLOR	TSOANYANE	YVONNE, NKELETSENG	ANC
24.	COUNCILLOR	MOKOATLE	MALEFU	ANC
25.	COUNCILLOR	TSHAKA	MADEDEMANE, ABEGAIL	ANC
26.	COUNCILLOR	GEBASHE	THOBANI, SAMSON	ANC
27.	COUNCILLOR	MACOBA	PRIMROSE, NOMONDE	ANC
28.	COUNCILLOR	NTSOLO	CUTBERT, PADI	ANC
29.	COUNCILLOR	LUPHALULE	KHAMBULAKAZI, EDITH	ANC
30.	COUNCILLOR	STUURMAN	PARTRICK, MOTLALEPULA	ANC
31.	COUNCILLOR	SIPIKA	CYPRIAN, XOLILE	ANC
32.	COUNCILLOR	MZIMKULU	BRITANIA, LIZWI	ANC
33.	COUNCILLOR	NONKEVU	RICHARD, VUSUMZI	ANC
34.	COUNCILLOR	GCABO	MSA	ANC
35.	COUNCILLOR	NGOMA	NTLAMENG, STELLA	ANC
36.	COUNCILLOR	BEJA	NOMHLE, ELIZABETH	ANC
37.	COUNCILLOR	TSOLOANE	MARAGRET, MASECHABA	ANC
38.	COUNCILLOR	NDIWA	ANGELINA, NOMPUCUKO	ANC
39.	COUNCILLOR	LUGAYENI	DENTON	ANC
40.	COUNCILLOR	BOOI	SYLVIA, NONKULULEKO	ANC
41.	COUNCILLOR	MAKHOLWA	KENNETH, BONGANI	AIC
42.	COUNCILLOR	SAMBANE	CYNTHIA, NOKWANDA	ANC
43.	COUNCILLOR	BIGGS	KENNETH, CHARLES	DA
44.	COUNCILLOR	BONO	PATRICK, ZOLILE	ANC
45.	COUNCILLOR	MADUNA	JOYCE, DIMAKATSO	ANC
46.	COUNCILLOR	MUIR	PETER, GEORGE	DA
47.	COUNCILLOR	MAARTENS	MARINUS	DA
48.	COUNCILLOR	STUURMAN	LEBOHANG, EZEKIEL	UDM



## CHAPTER 2 Performance Highlights

### Functions Performed

The municipality faced huge challenges due to the enlargement of the area of jurisdiction, and had to spend enormous effort and resources to align the institution and all strategic plans to the increased demands for service delivery. The Council appointed a Municipal Manager and five Strategic Managers for the various functions, and embarked on a mission to formulate the correct organisational infrastructure to ensure improved service delivery.

The municipality managed to continue the supply of services within the urban areas, which included Electricity, Refuse removal, Roads, Stormwater management and Cleansing. The addition of Houses for the Indigent was also prioritised, with one scheme completed during the year, and another commenced with.

Detailed reports regarding service delivery by each functional department is included in Chapter 5 of the report. Backlogs in service delivery is depicted in Chapter 1 above, including Water and Sanitation which is no longer a function of the municipality, and Electricity, which is a service supplied by Escom for all rural areas.

Service delivery by Matatiele Local Municipality can be summarized as follows:

### Functions and Services

Roads & Stormwater	Public Amenities (Halls & Sporting facilities
Solid Waste (Removal & Management)	Environmental Control (Nature Reserve & Cemeteries)
Electricity Distribution (Matatiele town only)	Traffic Policing
Town Planning	Human Resources Management
Local Economic Development	Financial Management
Marketing & Investments Promotion	Special Programs for designated groups



## **Summary of Projects**

Several projects were embarked upon during the year, and were financed from Equitable share, Municipal Infrastructure Grant and Housing funds. A summary is as follows:

### **Housing Development**

The Urban Renewal scheme in Njongweville Ext. 2 was successfully completed during the year and 306 houses were delivered to beneficiaries. The scheme cost R 20,626,618 and the attractive finishing is a colourful addition to the Matatiele landscape.



**306 houses were completed in the Njongwe Ville Ext.2 in terms of urban renewal scheme**

An additional R 5,009,432 was spent during the year towards the extension to Harry Gwala Park, where 500 houses will be delivered.





### **Equitable Share Funding**

The following nine (9) equitable share funded community facility projects were successfully completed:

	Project Name	Budgeted Amount	Contract Amount	Expenditure
		R	R	R
1.	Khubetsoana Community Hall	529,062	906,965	741,476
2.	Nyamaneni Community Hall	920,000	897,485	850,861
3.	Koelitso Pre School	650,000	611,185	613,160
4.	Mbizeni Pre School	650,000	652,939	654,468
5.	Nkosana Pre-school	441,750	584,055	429,889
6.	Outspan Pre-school	650,000	598,107	525,594
7.	Ntlola Pre-school	650,000	598,107	583,221
8.	Prospect Pre-school	440,717	584,085	509,304
9.	Queen's Mercy Pre-school	650,000	608,688	407,246
	<b>TOTAL</b>	<b>5,581,529</b>	<b>6,041,617</b>	<b>5,315,218</b>



### **Municipal Infrastructure Grant Funding**

The following four (4) MIG funded projects were successfully completed during the reporting period:

	Project Name	Budgeted Amount	Contract Amount	Expenditure
		R	R	R
1.	T69 to Makhaola Great Place Access Road	900,000	1,090,767	840,845
2.	Mphotshongweni Access Road	1,661,713	2,809,144	2,224,521
3.	Letlapeng Access Road	2,700,000	3,557,922	2,898,724
4.	Sithiyweni Access Road & Bridge	3,750,000	3,599,492	3,653,344
	<b>TOTAL</b>	<b>9,011,713</b>	<b>11,057,325</b>	<b>9,617,435</b>





### **Debtors recovery**

The table below indicates the arrears debt of Council at 30 June 2008

ARREARS AGE ANALYSIS AT 30 JUNE 2008					
TYPE OF SERVICE	0-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTALS
ELECTRICITY	625,305.03	4,399,741.94	69,706.76	214,763.22	5,309,517.05
PROPERTY RATES	260,605.75	38,009.70	149,923.06	8,696,367.75	8,623,694.76
OTHERS	160,291.95	273,984.91	244,484.61	7,472,178.46	8,150,939.93
<b>TOTAL</b>	<b>524,991.23</b>	<b>4,711,736.55</b>	<b>464,114.43</b>	<b>16,383,309.53</b>	<b>22,084,151.74</b>

### **Revenue collection performance**

Council's Credit control and Debt collection Policy is regularly reviewed, and a Revenue Enhancement project is currently conducted. The Electricity debt above includes an amount of R 4,000,000 which was incorrectly raised, and only corrected in the current financial year.

### **Indigent support**

Council's indigent policy includes all registered indigents throughout the jurisdiction of the Matatiele Local Municipality. The Council endeavours to assist the poor of the poorest by giving free basic services. The Council is investigating the possibility of writing-off of arrears of all registered indigents.

Matatiele Local Municipality provides Free Basic Electricity and Free Basic Refuse Removal. Indigent clients must re-register every six (6) months.



## Community Participation

The Council promoted community participation extensively, and convened meetings to give the community the opportunity to express their views and needs on a regular basis. All 24 wards were involved in this process.





Various IDP meetings were held over the past year and very valuable input from the various stakeholders and community was assimilated



## CHAPTER 3

### Human Resource and Other Organizational Management

Functional Area	Post Levels	Total Posts	Filled Posts	Vacant Posts	Frozen Posts
Corporate Services	Manager	1	1	Nil	Nil
	Seniors	7	1	4	2
	Juniors	51	28	10	13
Finance Services	Manager	1	1	Nil	Nil
	Seniors	8	2	4	2
	Juniors	30	12	11	7
Municipal Manager	Manager	1	1	Nil	Nil
	Seniors	1	Nil	1	Nil
	Juniors	5	1	4	Nil
Technical Administration	Manager	1	1	Nil	Nil
	Seniors	11	2	7	2
	Juniors	95	38	8	49
Strategic Manager	Manager	1	1	Nil	Nil
	Seniors	4	Nil	4	Nil
	Juniors	7	3	4	Nil
Economic Development and Planning	Manager	1	1	Nil	Nil
	Seniors	11	4	5	2
	Juniors	83	24	29	30
<b>Total</b>		<b>319</b>	<b>121</b>	<b>91</b>	<b>107</b>

#### Skills Audit and Work Place Skills Plan

The Skills Development Act requires the municipality to compile a Workplace Skills Plan in order to address the identified skills shortage within the municipality. A draft WSP was drawn up with the assistance of a service provider and was submitted to the Department of Labour and Local Government Sector Education and Training Authority as required. This helps the municipality to access training funding kept by the Department of Labour and LGSETA. The service provider that helped with the Workplace Skills Plan also performed a Skills Audit so as to finally and objectively identify the skills gaps among employees. A training programme and an implementation plan were drafted and are being implemented.



## **Training of Employees**

Two Committee Clerks and two Secretaries, who had not received relevant training, have attended a KWANALOGA accredited Minute-Taking and Report-Writing Course at KWANALOGA offices (Hillcrest) in Durban during the period 13 to 15 May 2008. Further, all Departmental Secretaries attended the Executive Office Management Course at the same place during the period: 09 to 11 June 2008.

## **Categorisation Of Training Per Department**

- **Moderator Course With Local Government Seta**

**Economic and Development Planning**

Mr T.A Lechamochamo: 4-6 March 2008

**Technical Service**

Mr Basil Faro: 4- 6 March 2008

- **Soft Ware Training (Corvu) From 5, 6 & 7 November 2007**

**Budget & Finance:**

D.C van Zyl

Maryna Rawlins

Sulene Höll

## **COUNCIL**

- **SALGA Executive Leadership Development Programme:  
Period 3 To 6 March 2008**

Councillor Ntombovuyo S Nkopane,

Councillor Primrose N. Macoba,

Councillor Lillian Mtshoniswa; and

Ms. Sindiswa Magudu.





### **Clinic**

C.P.H (Sister E. Mxakaza) is studying for Diploma in HIV & AIDS Management from January 2007 to December 2008 (Ongoing).

Sister Jenny Fords is studying for a Bachelor's degree, majoring in Administration and Nursing Education.

### **ABET**

2007 : 13 learners  
New entrances 2008 : 4 learners  
Drop-out returned 2007 : 1 learners  
Total current learners 2008 : 18 learners

### **Levels**

Level 1 : 4 learners  
Level 2 : 8 learners  
Level 3 : 6 learners

Six learners wrote exams in February 2008.

## **TRENDS ON EXPENDITURE OF SALARY**

### **Employee related costs**

Employee related costs can be summarised as follows:

	2008	2007
Employee related costs - Salaries and Wages	11,952,687	8,537,170
Employee related costs - Contributions for UIF, pensions and medical aids	2,345,680	1,745,626
Travel, motor car, accommodation, subsistence and other allowances	937,971	547,009
Housing benefits and allowances	340,909	109,913
Overtime Payments	446,017	306,558
Bonus	641,359	475,519
Staff Leave	509,435	375,813
Contribution to provision - Bonus	36,978	101,093
Long Service Benefits paid	0	60,150
Contribution to provision -Long Service Awards	74,723	93,942
Contribution to provision - Post Retirement Medical	121,604	112,956
<b>Total Employee Related Costs</b>	<b>17,407,363</b>	<b>12,465,750</b>



### **Key Management Personnel**

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

### **Remuneration of Councillors**

Mayor	467,300	272,915
Councillors' allowance	7,403,498	6,425,145
Councillors' contributions	0	733,004
Medical Fund Contributions	0	426,198
Allowances - Housing, Travelling and others	1,075,273	1,758,817
<b>Total Councillors' Remuneration</b>	<b>8,946,071</b>	<b>9,616,079</b>

### ***In-kind Benefits***

The Mayor, Speaker and four Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Municipality.





## CHAPTER 4

### Audited Annual Financial Statements

#### Annual Financial Statements

The Annual Financial Statements for 2007/2008 were submitted to the Office of the Auditor General on time, namely 29 August 2008. An unqualified Audit Report was received from the Auditor General's Office on 30 November 2008.

<b>MATATIELE MUNICIPALITY</b>			
<b>STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008</b>			
	<b>Note</b>	<b>2008 R</b>	<b>2007 R</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		125,450,886	85,776,023
Housing Development Fund	1	735,761	734,045
Capital replacement reserve		7,760,012	3,500,000
Capitalisation reserve		3,606,049	3,845,827
Government grant reserve		65,764,284	47,104,079
Revaluation reserve		16,799,004	17,330,976
Accumulated Surplus/(Deficit)		30,785,776	13,261,096
<b>Non-current liabilities</b>		2,939,795	3,410,916
Long-term liabilities	2	581,692	1,242,552
Non-current provisions	3	2,358,103	2,168,364
<b>Current liabilities</b>		58,761,883	41,315,510
Consumer deposits	4	310,689	346,020
Provisions	5	442,801	484,692
Creditors	6	7,949,140	6,327,229
Unspent conditional grants and receipts	7	48,856,280	32,782,990
Taxes	8	-	553,254
Short-term loans	9	-	-
Bank overdraft	19	617,333	302,516
Current portion of long-term liabilities	2	585,640	518,809
<b>Total Net Assets and Liabilities</b>		<u>187,152,563</u>	<u>130,502,448</u>
<b>ASSETS</b>			
<b>Non-current assets</b>		105,347,774	88,069,301
Property, plant and equipment	10	99,362,787	83,052,704
Investment property	11	1,289,018	1,293,011
Intangible Assets	12	1,164,993	638,922
Investments	13	3,495,296	3,042,086
Long-term receivables	14	35,681	42,577
<b>Current assets</b>		81,804,789	42,433,147
Inventory	15	547,617	343,594
Consumer debtors	16	5,839,046	2,124,064
Other debtors	17	6,932,637	2,085,750
Unpaid conditional grants and receipts	7	-	-
Taxes	8	240,409	2,855,291
Current portion of long-term debtors	14	-	-
Call investment deposits	18	68,154,439	34,539,745
Bank balances and cash	19	90,641	484,702
<b>Total Assets</b>		<u>187,152,563</u>	<u>130,502,448</u>



**MATATIELE MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30th JUNE 2008**

		Actual	
	Note	2008 R	2007 R
<b>REVENUE</b>			
Property rates	20	12,779,302	9,493,628
Property rates - penalties imposed and collection charges		437,916	159,623
Service charges	21	19,671,722	14,423,087
Regional Services Levies – turnover			-
Regional Services Levies - remuneration			-
Rental of facilities and equipment		360,149	1,198,672
Interest earned - external investments		3,497,936	2,019,502
Interest earned - outstanding debtors		1,260,385	720,293
Dividends received			-
Fines		432,756	118,598
Licences and permits		797,038	949,519
Income for agency services			-
Government grants and subsidies	22	58,867,783	49,109,678
Other income	23	680,781	310,666
Public contributions, donated and contributed property, plant and equipment	10	113,722	784,213
Gains on disposal of property, plant and equipment		34,835	30,177
<b>Total Revenue</b>		<b>98,934,325</b>	<b>79,317,657</b>
<b>EXPENDITURE</b>			
Employee related costs	24 1	17,407,364	12,465,750
Remuneration of Councillors	25 2	8,946,071	9,616,079
Bad debts	3	2,801,420	6,456,750
Collection costs	4		-
Depreciation	10 5	5,430,353	3,679,550
Repairs and maintenance	6	3,250,993	3,707,867
Interest paid	26 7	260,227	273,124
Bulk purchases	27 8	6,293,431	6,567,817
Contracted services	9	5,377,482	4,748,511
Grants and subsidies paid	28 10	2,354,695	356,487
Operating Grant Expenditure	22 11	0	2,434,751
General expenses	29 12	7,115,439	6,467,475
Loss on Transfer	13	6,452	-
<b>Total Expenditure</b>		<b>59,243,927</b>	<b>56,774,159</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>39,690,398</b>	<b>22,543,497</b>
<b>Share of surplus/(deficit) of associate accounted for under the equity method</b>	30	-	-
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>39,690,398</b>	<b>22,543,497</b>
Refer to Appendix E(1) for explanation of variances			

										<u>Pre-GAMAP Reserves and Funds R</u>	<u>Housing Development Fund R</u>	<u>Capital Replacement Reserve R</u>	<u>Capitalisation Reserve R</u>	<u>Government Grant Reserve R</u>	<u>Revaluation Reserve R</u>	<u>Accumulated Surplus/ (Deficit) R</u>	
<b>2007</b>																	
Correction of error (Note 31)																	1369
Change in accounting policy																	
<b>Restated balance</b>										-	732,473	1,084,318	3,381,900	21,393,151	17,853,563	18,809,203	
Net surplus/(deficit) for the year										-	-	-	-	-	-	22,543,497	
Transfer to/from CRR										-		2,710,602	-	-		(2,710,602)	
Property, plant and equipment purchased										-		(294,920)	-	-		294,920	
Capital grants used to purchase PPE										-	-	-		26,307,777		(26,307,777)	
Transfer to Housing Development Fund										-	1,571	-	-	-	-	(1,571)	
Change in funding sources										-	-	-	-	843,022	1,051	(844,073)	
Asset disposals										-	-					-	
Offsetting of depreciation										-			(238,767)	(1,594,933)	(523,638)	2,357,338	
<b>Balance at 30 June 2007</b>											734,044	3,500,000	3,143,133	46,949,017	17,330,976	14,140,935	
<b>05</b>																	
Correction of error(Note 31)													702,694	155,062		-879,840	
<b>Balance at 30 June 2007</b>										1	136	140	143	147	151	13,261,096	
Net surplus/(deficit) for the year																39,690,399	
Transfer to/from CRR											139		4,500,000			(4,500,000)	
Property, plant and equipment purchased											137		-239,988			239,988	
Capital grants used to purchase PPE												141	144	148		(22,066,613)	
Transfer to Housing Development Fund										1		1,716				(1,716)	
Change in funding sources															0		
Asset disposals accumulated depreciation															39,419		
Asset disposals															(54,955)		
Offsetting of depreciation											138	142	145	149		4,162,623	
<b>Balance at 30 June 2008</b>												735,761	7,760,012	3,606,049	65,764,284	16,799,004	30,785,776



## 1 HOUSING DEVELOPMENT FUND

		2008 R	2007 R
Housing Development Fund		735,761	734,045
Balance 30 June 2007	1	728,525	728,525
Unappropriated Surplus	06	7,236	5,520

An amount of R735 761 (2007 = R 734 045) is ringfenced in the investments for the cash-portion of the Housing Development Fund (See Note 12)

## 2 LONG-TERM LIABILITIES

Annuity Loans		550,102	781,263
Capitalised Lease Liability		617,228	980,096
Sub-total		1,167,329	1,761,359
Less : Current portion transferred to current liabilities		(585,638)	(518,807)
Financial Lease		-317,817	-321,730
Annuity Loans		-267,821	-197,077
<b>Total External Loans</b>		<b>581,692</b>	<b>1,242,552</b>

The capitalised lease liability is secured over the item of infrastructure leased.

The future payments on the leases are as follows:

	Within 1 Year	1 to 5 years
Interest Payments	48921	37,769
Redemption	317,817	157127

More information on Appendix "A"

## 3 NON-CURRENT PROVISIONS

### 3.1 Post Retirement Benefits and Long Service Awards

Medical Aid Contributions		1,836,871	1,721,855
Long Service Award		521,232	446,509
<b>Total</b>		<b>2,358,103</b>	<b>2,168,364</b>

		2008	2008
		Medical Aid	Long Service
Balance 1 July 2006	2	1,823,202	500,541
Contribution for the year	3	121,604	74,723
		1,944,806	575,264
Less: Transfer to current portion to current provisions (Note 5)	4		
<b>Balance 30 June 2007</b>	7	<b>1,944,806</b>	<b>575,264</b>

The municipality valued non-current provisions on 30 June 2006 for the first time, which valuations were done by  
ARCH Actuarial Consulting, Mill Street, Cape Town.

### Other defined benefit plan information

#### Provision for Post Employment Health Care Benefits

The Post Employment Health Care Benefit plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members

Continuation members (e.g. retirees, widows)

**Total**

The liability in respect of past service has been estimated to be as follows:

	2008	2007
In-service members	856,423	802,873
Continuation members	1,088,383	1,020,329
<b>Total</b>	<b>1,944,806</b>	<b>1,823,202</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;

Global Health

SAMWU Medical Aid, and

The Future-service Cost for the ensuing year is estimated to be R 83,683, whereas the Interest- Cost for the next year is estimated to be R 145,856.

Present value of fund obligations	1,944,806	1,823,202
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#### Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year		-
Expected return on plan assets -		-
Contributions : employer	107.935	101.347
Contributions : employee -		-
Past service costs -		-
Actuarial (gains) / losses -		-
Benefits paid	(107.935)	(101.347)
Fair value of plan assets at the end of the year	-	-

#### Key assumptions used:

Discount rate	8.0%	8.0%
Health Care Cost Inflation Rate	6.0%	6.0%
Net Effective Discount Rate	1.9%	1.9%

#### Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 303 employees were eligible for Long Service Bonuses.  
The Future-service Cost for the ensuing year is estimated to be R 88,712, whereas the Interest- Cost for the next year is estimated to be R 40,043.

<b>Present value of fund obligations</b>	575,264	500,541
Fair value of plan assets -		
Unrecognised past service cost -		
Unrecognised actuarial gains / (losses) -		
Present value of unfunded obligations	575,264	500,541
Net liability/ (asset)	575,264	500,541

#### Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	500,541	406,599
Current service cost	88,712	82,140
Interest Cost	40,043	32,528
Benefits Paid	(54,032)	(60,150)
Total expenses	74,723	54,518
Actuarial (gains) / losses		39,424
Present value of fund obligation at the end of the year	575,264	500,541

#### Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year		-
Expected return on plan assets -		-
Contributions : employer	54,032	60,150
Contributions : employee		-
Past service costs		-
Actuarial (gains) / losses		-
Benefits paid	(54,032)	(60,150)
Fair value of plan assets at the end of the year	-	-

#### Key assumptions used:

Discount rate	8.0%	8.0%
General Salary Inflation (long-term)	6.0%	6.0%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.9%	1.9%

#### 4 CONSUMER DEPOSITS

Electricity	8	310,689	346,020
<b>Total Consumer Deposits</b>		<b>310,689</b>	<b>346,020</b>

#### 5 PROVISIONS

Bonus	280,834	263,013
Performance Bonuses	0	66,300
Current portion of non-current post-retirement medical contributions (Note 3)	107,935	101,347
Current portion of non-current long-service awards (Note 3)	54,032	54,032
<b>Total Provisions</b>	<b>442,801</b>	<b>484,692</b>

The movement in current provisions are reconciled as follows: -

Balance at beginning of year	9	280,834	161,919
Transfer from non-current			155,379
Contributions to provision	10	107,935	167,393
Interest on Investments			
Expenditure incurred	11	54,032	0
<b>Balance at end of year</b>		<b>442,801</b>	<b>484,691</b>



## 6 CREDITORS

		2008 R	2007 R
Trade creditors	12	3,626,740	4,207,775
Payments received in advance	13	583,356	593,481
Insurance Claims	14	15,329	15,329
Suspense	15	315,686	94,511
Alfred Nzo District Municipality	16	1,949,669	245,766
Deposits: Other	17	284,426	260,679
Leave reserve	18	1,092,549	863,869
Other creditors	19	81,386	45,821
<b>Total Creditors</b>		<b>7,949,140</b>	<b>6,327,229</b>

Creditors being paid within 30 days are being recognised net of discounts.

## 7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

### 7.1 Conditional Grants from other spheres of Government

Unspent Grants	48,856,280	32,782,990
Less: Unpaid Grants	-	-
<b>Total Conditional Grants and Receipts</b>	<b>48,856,280</b>	<b>32,782,990</b>

See Note 22 for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilised

## 8 VAT

		R	R
VAT payable	20	<u>0</u>	<u>553,254</u>
VAT receivable	21	<u>240,409</u>	<u>2,855,291</u>

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

## 9 SHORT-TERM LOANS

The Municipality has no short term loans

## 11 INVESTMENT PROPERTY

Cost	22	1,386,740	1,386,740
Less: Accumulated Depreciation	23	<u>-97,722</u>	<u>-93,729</u>
<b>Total Investment Properties</b>		<b>1,289,018</b>	<b>1,293,011</b>

The Municipality only identified Investment Properties during the 2005/2006 financial year. The value of Investment Properties was included under Property, Plant and Equipment in the prior year. The fair value of Investment Properties is estimated at R 1 297 000.

Revenue to the amount of R 27 368 was earned from the Investment Properties.

These properties were not leased out during the 2007/2008 financial year but is intended to be leased out during the next financial year

## 12 INTANGIBLE ASSETS

		2008 R	2007 R
<b>Cost</b>	24	<u>2,128,193</u>	<u>1,412,604</u>
<b>Balance as at 1 July 2007</b>		1,412,604	1,050,590
Transferred from Property, Plant and Equipment - At cost (Note 31)			-
Donated Intangible Asset		1,757	
Acquisitions for the year - At cost		713,832	362,014
<b>Less: Accumulated Amortisation</b>	25	<u>-963,200</u>	<u>-773,682</u>
<b>Balance as at 1 July 2007</b>		(773,682)	(668,970)
Transferred from Property, Plant and Equipment (Note 31)			
Accumulated Amortisation for the year		189,518	(104,712)
<b>Total Intangible Assets</b>		<b>1,164,993</b>	<b>638,922</b>

The Municipality transferred Intangible Assets (Computer Software) from Property, Plant and Equipment.



		2008 R	2007 R
<b>13 INVESTMENTS</b>			
<b>Financial Instruments</b>			
Fixed Deposits	26	3,495,296	3,042,086
<b>Total Investments</b>		<b>3,495,296</b>	<b>3,042,086</b>
An amount of R 735 761 (2007 = R 734 045) is ringfenced in the investments (Fixed deposits and call-accounts) for the cash-portion of the Housing Development Fund (See Note 1)			
An amount of R7 539 959 (2007 = R 3 500 000) is ringfenced in the investments (Fixed deposits and call-accounts) for the Capital Replacement Reserve			
<b>14 LONG-TERM RECEIVABLES</b>			
Housing Loan	188	35,681	42,577
<b>Total</b>		<b>35,681</b>	<b>42,577</b>
<b>HOUSING SELLING SCHEME LOANS</b>			
Housing loans are granted to qualifying individuals in terms of the provincial administrations housing programme. Receipts are being credited directly to the capital owing. No short-term portion can reliably be calculated due to the limited payments being made by the lenders. Provision for bad debts are included in Note 16			
<b>15 INVENTORY</b>			
Consumable Stores	27	544,948	340,925
Medallions	28	2,669	2,669
<b>Total Inventory</b>		<b>547,617</b>	<b>343,594</b>
<b>16 CONSUMER DEBTORS</b>			
Rates	29	8,883,168	4,988,333
Refuse	30	2,842,771	2,281,026
Electricity	31	5,419,741	1,379,520
Housing Rentals	32	0	4,523
<b>Total : Consumer Debtors</b>		<b>17,145,680</b>	<b>8,653,401</b>
Less : Provision for bad debts	33	-11,306,634	-6,529,337
<b>Total</b>		<b>5,839,046</b>	<b>2,124,064</b>
<b>17 OTHER DEBTORS</b>			
Government subsidies - Health	34	684,072	446,685
Miscellaneous	35	6,380,477	3,746,854
<b>Other Debtors</b>		<b>7,064,548</b>	<b>4,193,539</b>
Less : Provision for bad debts	36	-131,912	-2,107,789
<b>Total</b>		<b>6,932,637</b>	<b>2,085,750</b>
<b>18 CALL INVESTMENT DEPOSITS</b>			
Aanvraagdeposits/Call deposits	37	68,154,439	34,539,745
Other Deposits		-	-
<b>19 BANK, CASH AND OVERDRAFT BALANCES</b>			
The Municipality has the following bank accounts: -			
<b>Current Account (Primary Bank Account)</b>			
Standard Bank - Matatiele - Account Number 060435224			
Cash book balance at beginning of year		483,452	326,661
Cash book balance at end of year	38	<b>89,391</b>	<b>483,452</b>
Bank statement balance at beginning of year - (overdrawn)		561,589	477,278
Bank statement balance at end of year - (overdrawn)		<b>89,775</b>	<b>561,589</b>
<b>Cash Floats to cashiers</b>	39	<b>1,250</b>	<b>1,250</b>
First National Bank - Matatiele - Account Number 62108495187			
Cash book balance at beginning of year		(302,516)	
Cash book balance at end of year		<b>-617,333</b>	<b>-302,516</b>
Bank statement balance at beginning of year - (overdrawn)		898,778	





## 20 PROPERTY RATES

### Actual

Rateable Land

**Total Assessment Rates**

2008  
R

2007  
R

12,779,302

9,493,628

**12,779,302**

**9,493,628**

### Valuations

Land - Matatiele

Land - Cedarville

Buildings - Matatiele

Buildings - Cedarville

Non-Rateable Land - Matatiele

Non-Rateable Land - Cedarville

Non-Rateable Buildings - Matatiele

Non-Rateable Buildings - Cedarville

**Total Property Valuations**

July 2006

R000's

71,939

3,206

245,348

17,118

7,776

456

9,352

1,127

**356,322**

July 2006

R000's

63,931

2,752

232,306

16,030

7,926

452

9,488

1,115

**334,000**

## 21 SERVICE CHARGES

Sale of electricity

Refuse removal

**Total Service Charges**

17,372,853

12,232,737

2,298,868

2,190,350

**19,671,721**

**14,423,087**

## 22 GOVERNMENT GRANTS AND SUBSIDIES

Equitable share

Subsidy : Health

Subsidy : Museum

Subsidy : Roads

Grant - Cedarville

Grant- IDP Fund

Grant - Consumer Awareness

Grant - Harrv Gwala Electriciv Area 1

Grant - Buv Back Centre

Grant -Housing - Cedarville 200 sites Area A

Grant - Swimming Pool Upgrade

Grant - Solid Waste Site

Grant - Cemetery Sites

Grant - Implementation Property Rates Act

Grant - Tennis Courts

Grant - Tyre Recycling Centre

Grant - Library Opening

Grant - Free Basic Electricity

Grant - Free Basic Services

Grant - Finance Management

Grant - Interdepartmental Monitoring

Grant - Capacity Building

Grant - Grants in Aid

Grant - Community development Workers

Grant - Access to Landfill Site

Grant - Transformation Fund

Grants - MIG

Umzimvubu Projects

MDF ICT Grant

MDF Financial Statements Grant

MDF Asset Register Grant

MDF FBS Database Grant

MSIG New Valuation Roll

FMG (Dora 06/07)

MSIG Valuation Roll Update

MDF By-Laws Grant

MDF Establishment of Ward Comm Grant

MDF Perf Agreement

MSIG Ward Comm Grant

Establishment Plan

Umzimvubu Incorporation Subsidy

Conference Centre

MFMA Grant

Transformation Fund

CDW Grant

Capacity Building

Master Lease Programme

Equitable Share FBS Refuse

Equitable Share FBS Electricity

**Total Government Grant and Subsidies**

32,593,595

17,399,529

2,153,612

1,782,393

51,121

48,505

10,050

10,050

0

1,900

119,138

129,858

0

913

0

34,468

0

21,701

5,292,393

12,441,125

0

1,753,288

0

56,348

0

313,611

0

82,990

0

18,300

0

1,979

0

71,675

0

84,792

0

38,244

0

0

0

0

0

0

0

0

0

13,347

64,513

681,433

0

47,201

12,320,051

9,082,265

3,320,253

2,058,864

474,639

397,876

0

200,000

1,050

90,713

0

60,000

0

65,090

0

500,000

0

194,555

0

35,088

0

240,000

31,050

-

0

50,000

949,946

749,521

232,360

0

100,000

0

49,628

0

13,850

0

231,607

0

291,000

0

327,763

308,655

240,165

43,402

**58,867,784**

**49,109,679**

Donatated Property Plant and Equipment - Nature Reserve

**113,722**



## 22.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive the basic charge on refuse, 50kwh electricity per month and up to 100% rates rebate free . which is funded from this grant.

## 22.2 Provincial Health Subsidies

Balance unspent at beginning of year  
Current year receipts - included in public health vote  
Conditions met - transferred to revenue  
Conditions met - transferred to other debtors (see note 17)

2008 R	2007 R
446,685	488,388
(1,581,120)	(1,824,096)
687,751	1,782,393
<b>(446,684)</b>	<b>446,685</b>

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 80% of total expenditure incurred. This grant has been used exclusively to fund clinic services (included in the public health vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy.

## 23 OTHER INCOME

Other income represents sundry income such as certificates, cemetery charges and photocopies

680,781	310,666
<b>680,781</b>	<b>310,666</b>

## Total Other Income

## 24 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages  
Employee related costs - Contributions for UIF, pensions and medical aids  
Travel, motor car, accommodation, subsistence and other allowances  
Housing benefits and allowances  
Overtime Payments  
Bonus  
Staff Leave  
Contribution to provision - Bonus (Note 5)  
Long Service Benefits Paid  
Contribution to provision -Long Service Awards (Note 3)  
Contribution to provision - Post Retirement Medical (Note 3)

11,952,687	8,537,170
2,345,680	1,745,626
937,971	547,009
340,909	109,913
446,017	306,558
641,359	475,519
509,435	375,813
36,978	101,093
	60,150
74,723	93,942
121,604	112,956
<b>17,407,363</b>	<b>12,465,749</b>

## Total Employee Related Costs

## KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

### Remuneration of the Municipal Manager

30 June 2008

Annual Remuneration  
Performance Bonuses  
Car Allowance  
Contributions to UIF, Medical and Pension funds  
Total

559,614	355,234
	6,667
120,000	7,967
41,714	11,472
<b>721,328</b>	<b>381,340</b>

The Municipal Manager passed away during the financial year and remuneration only reflects a portion of the year.

### Remuneration of the Chief Finance Officer

30 June 2008

Annual Remuneration  
Performance Bonuses  
Car Allowance  
Contributions to UIF, Medical and Pension funds  
Total

526,875	432,380
34,183	61,800
100,879	95,400
55,124	119,044
<b>717,061</b>	<b>708,624</b>

### Remuneration of Corporate Services Director

30 June 2008

Annual Remuneration  
Performance Bonuses  
Car Allowance  
Medical and pension funds  
Total

	R
359,040	247,743
	36,300
137,920	128,040
51,562	71,917
<b>548,522</b>	<b>484,000</b>

### Remuneration of Statagic Manager

30 June 2008

Annual Remuneration  
Performance Bonuses  
Car Allowance  
Medical and pension funds  
Total

	R
469,465	
120,000	
31,864	
<b>621,329</b>	<b>-</b>

### Remuneration of EDP Manager

30 June 2008

Annual Remuneration  
Performance Bonuses  
Car Allowance  
Medical and pension funds  
Total

	R
272,204	
60,000	
17,796	
<b>350,000</b>	<b>-</b>

### Remuneration of Infrastructure Manager

30 June 2008

Annual Remuneration  
Performance Bonuses  
Car Allowance  
Medical and pension funds  
Total

	R
262,500	
87,500	
<b>350,000</b>	<b>-</b>



	2008 R	2007 R
<b>25 REMUNERATION OF COUNCILLORS</b>		
Executive Mayor	467,300	272,915
Councillors' allowance	7,403,498	6,425,145
Councillors' contributions		733,004
Medical Fund Contributions		426,198
Allowances - Housing, Travelling and others	1,075,273	1,758,817
<b>Total Councillors' Remuneration</b>	<b>8,946,071</b>	<b>9,616,079</b>
<b>In-kind Benefits</b>		
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
<b>26 INTEREST PAID</b>		
Long-term liabilities	260,227	273,076
Overdraft Facilities		48
<b>Total Interest on External Borrowings</b>		<b>273,124</b>
<b>27 BULK PURCHASES</b>		
Electricity	6,293,431	6,567,817
<b>Total Bulk Purchases</b>	<b>6,293,431</b>	<b>6,567,817</b>
<b>28 GRANTS AND SUBSIDIES PAID</b>		
Free Basic Services	2,354,695	356,487
<b>Total Grants and Subsidies</b>	<b>2,354,695</b>	<b>356,487</b>
<b>29 GENERAL EXPENSES</b>		
General Expenses	7,115,439	6,467,475
General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.		
<b>30 SURPLUS OF ASSOCIATE</b>		
The municipality has got no shares in associates	-	-
<b>31 CORRECTION OF ERROR IN ACCORDANCE WITH GRAP 3</b>		
<b>31.1 Property, plant and equipment</b>		
<b>Assets</b>		
Balance previously reported		108,419,781
Assets recorded during current year but expended during previous year corrected		235,007
<b>Total</b>		<b>108,654,788</b>
<b>31.2 Accumulated Depreciation - GAMAP 17</b>		
Balance previously reported		25,611,599
Assets recorded during current year but expended during previous year corrected		22,430
<b>Total (debited to Accumulated Surplus/(Deficit)) (see 32.3 below)</b>		<b>25,634,029</b>
<b>31.3 Accumulated Surplus/(Deficit)</b>		
Balance previously reported		14,140,935
Restatement on Government Grant Reservetransfer to Accumulated Surplus due to assets recored in correct financial year		(160,409)
Net adjustment to unappropriated expenditure due to new lease recorded		(16,737)
Correction on previous balance of CR transfer from surplus/deficit		(702,694)
<b>Total</b>		<b>13,261,096</b>
<b>31.4 Government Grant Reserve</b>		
Balance previously reported		46,949,016
Restatement on Government Grant Reserve transfer to Accumulated Surplus due to assets recored in correct financial year		160,408
Restatement of Offsetting on Depreciation on Governmnet Grant Reserve transfer to Accumulated Surplus due to assets recorded in correct financial year		(5,347)
<b>Total</b>		<b>47,104,077</b>
<b>31.5 External Loans</b>		
Balance previously reported		1,655,160
Restatement on External Loans transfer to Accumulated Surplus due to assets recored in correct financial year		58,699
<b>Total</b>		<b>1,713,859</b>
<b>31.6 Capitalisation Reserve</b>		
Balance previously reported		3,143,133
Correction on previous balance of CR transfer from surplus/deficit		702,694
<b>Total</b>		<b>3,845,827</b>



### 32 CASH GENERATED BY OPERATIONS

	2008 R	2007 R
Surplus for the year	39,690,399	22,543,497
Adjustment for:-		
Depreciation	5,430,353	3,679,550
Gain on disposal of property, plant and equipment	(34,835)	(30,177)
Asset written off		(1,366)
Contribution to provisions - non-current	196,327	206,898
Contribution to provisions - current	280,834	167,394
Expenditure against provisions	(329,313)	
Contributed Property, Plant and Equipment	(113,722)	(784,213)
Investment income	(4,758,321)	(2,739,795)
Interest paid	260,227	273,124
<b>Operating surplus before working capital changes:</b>	<b>40,621,948</b>	<b>23,314,912</b>
(Increase)/Decrease in inventories	(204,023)	(54,725)
(Increase)/decrease in debtors	(3,714,982)	2,892,348
(Increase)/decrease in other debtors	(4,846,886)	(95,298)
(Decrease)/increase in unspent conditional grants and receipts	16,073,291	27,352,678
(Decrease)/increase in unpaid conditional grants and receipts		874,312
Increase in creditors	1,621,911	3,320,815
(Increase)/decrease in VAT	2,061,628	(2,702,902)
<b>Cash generated by/(utilised in) operations</b>	<b>51,612,887</b>	<b>54,902,139</b>

### 33 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

	2008 R	2007 R
Bank balances and cash	68,245,080	38,066,533
Bank overdraft	(617,333)	-
<b>Total cash and cash equivalents</b>	<b>67,627,747</b>	<b>38,066,533</b>

### 34 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

	2008 R	2007 R
Long-term liabilities (see Note 2)	1,167,329	1,655,160
Used to finance property, plant and equipment - at cost	1,167,329	1,655,160
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	-	-
<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>	<b>-</b>

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

### 35 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

There were no unauthorised-, fruitless- or wasteful expenditure during the year.

### 36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

<b>36.1 Contributions to organized local government</b>	2008 R	2007 R
Opening balance	-	-
Council subscriptions	158,485	49,456
Amount paid - current year	(158,485)	(49,456)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

#### **36.2 Audit fees**

Opening balance	1,152,113	771,054
Current year audit fee	(1,152,113)	(771,054)
Amount paid - current year	-	-
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

#### **36.3 VAT**

VAT inputs receivables and VAT outputs receivables are shown in note 8. All VAT returns have been submitted by the due date throughout the year.

#### **36.4 PAYE and UIF**

Opening balance	-	-
Current year payroll deductions	2,167,610	2,040,908
Amount paid - current year	(2,167,610)	(2,040,908)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

#### **36.5 Pension and Medical Aid Deductions**

Opening balance	-	-
Current year payroll deductions and Council Contributions	3,997,296	2,605,820
Amount paid - current year	(3,997,296)	(2,605,820)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>



**36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE  
MANAGEMENT ACT (continued)**

**2008  
R**

**2007  
R**

**36.6 Councillor's arrear consumer accounts**

There were no Councillors who were in arrears

**36.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

The Municipality complied with the provisions of the Municipal Finance Management Act.

**37 CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure:

*Infrastructure*  
*Community*  
*Other*

59,400,475	61,501,303
21,586,075	14,952,472
27,443,300	29,851,211
10,371,100	16,697,620

- Approved but not yet contracted for  
*Infrastructure*  
*Community*  
*Other*

20,000,000	24,559,071
20,000,000	24,559,071
-	-

**Total**

<b>79,400,475</b>	<b>86,060,374</b>
-------------------	-------------------

This expenditure will be financed from:

- External Loans
- Capital Replacement Reserve
- Government Grants
- Own resources
- District Council Grants

20,000,000	23,800,000
2,087,298	759,071
57,313,177	61,501,303
-	-
-	-
<b>79,400,475</b>	<b>86,060,374</b>

**38 RETIREMENT BENEFIT INFORMATION**

Council employees contribute to the Natal Joint Municipal Pension Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs. Full actuarial valuations are performed at least every five years. The last valuation was done on 31 March 2005.

An amount of R1 836 871 (R1 721 855 - 2006/07) was contributed by Council in respect of Councillors' and employees' retirement funding. These contributions have been expensed.



### 39 FINANCIAL RISK MANAGEMENT

#### Financial Risk Management

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising Currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign exchange currency risk**

*The municipality does not engage in foreign currency transactions.*

**(b) Interest rate Risk**

The Municipality is mainly exposed to interest rate risk due to the movements in long-term and short term interest rates. This risk is managed on an ongoing basis.

**(c) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only independently rated parties with a minimum rating of B+ are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

**(d) Liquidity Risk**

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

### 40 EVENTS AFTER THE REPORTING DATE

#### 40.1 S'Dumo Trust

S'Dumo Trust has been appointed as the Implementing Agent responsible for the infrastructure and top structure of 500 RDP houses in Harry Gwala Park. The project is known as the Harry Gwala Park 500 Extension. The Municipal Manager has declined authorisation of the payment of R3,7 million for services rendered by S'Dumo Trust. This led to S'Dumo Trust instituting legal proceedings against Matatiele Local Municipality, halting of services and de-establishing of the site. The matter was settled out of Court, all monies due was paid and S'Dumo Trust re-established the site and continued with the project. However, damages of R1.2million plus VAT was paid to S'Dumo Trust and it is regarded as irregular expenditure by the Chief Financial Officer.

#### 40.2 Demarcation of Municipal Boundries

Seven applicants filed a Constitutional Court case against the President of the Republic of South Africa and others to have Matatiele Local Municipality moved from the Eastern Cape Province back to the Province of Kwa\_zulu Natal.

#### 40.3 Municipal Manager

On 27 August 2008 the Matatiele Municipal Council resolved to suspend the Municipal Manager for a period of three months while an investigation is conducted





**MATATIELE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**PROPERTY, PLANT & EQUIPMENT**

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R
<b>Carrying values at 1 July 2007</b>	26,601,311	24,988,471	17,518,863	13,904,343	<b>83,012,988</b>
Cost	26,607,238	39,093,284	23,029,903	19,924,364	108,654,789
Correction of error ( note 31)					
Revaluation					
Accumulated depreciation	(5,927)	(14,104,813)	(5,511,040)	(6,020,021)	(25,641,801)
- Cost	(5,927)	(14,104,813)	(5,511,040)	(6,020,021)	(25,641,801)
Correction of error ( note 31)					
- Revaluation					
Acquisitions		12,854,985	3,444,930	5,179,133	21,479,048
Donated vehicles and equipment - At cost				111,965	111,965
Transfers					
At Cost					
Accumulated Depreciation					
Depreciation	(936)	(2,934,497)	(900,470)	(1,348,067)	(5,183,970)
- based on cost	(936)	(2,934,497)	(900,470)	(1,348,067)	(5,183,970)
- Backlog on previously not recorded					
Carrying value of disposals	(31,335)			(12,753)	(44,088)
Cost/revaluation	(31,335)			(75,165)	(106,500)
Accumulated depreciation				62,412	62,412
Impairment losses					-
Correction of Error					-
At cost					-
Accumulated depreciation					-
<b>Carrying values at 30 June 2008</b>	<b>26,569,040</b>	<b>34,879,553</b>	<b>20,063,323</b>	<b>17,850,878</b>	<b>99,362,794</b>
Cost	26,575,903	51,948,269	26,474,833	25,259,483	130,258,488
Revaluation					
Accumulated depreciation	(6,863)	(17,068,716)	(6,411,510)	(7,408,605)	(30,895,694)
- Cost	(6,863)	(17,068,716)	(6,411,510)	(7,408,605)	(30,895,694)
- Revaluation					-

**30 June 2007**

Reconciliation of Carrying Value					
<b>Carrying values at 1 July 2006</b>	<b>26,602,247</b>	<b>16,172,013</b>	<b>16,407,306</b>	<b>14,037,853</b>	<b>59,367,692</b>
Cost	26,607,238	28,701,757	21,064,045	18,921,176	81,337,777
Correction of error ( note 32)					
Revaluation					
Accumulated depreciation	(4,991)	(12,529,744)	(4,656,739)	(4,883,323)	(21,970,085)
- Cost	(4,991)	(12,529,744)	(4,656,739)	(4,883,323)	(21,970,085)
- Revaluation					
Acquisitions		10,391,527	1,965,858	1,007,032	27,386,912
Assets transferred and not recorded				(3,845)	(69,900)
Increases/decreases in revaluation					
Depreciation	(936)	(1,575,069)	(854,301)	(1,136,698)	(3,671,716)
- based on cost	(936)	(1,575,069)	(854,301)	(1,136,698)	(3,671,716)
- Backlog on previously not recorded				2,480	2,480
Re statement of values on assets					
Cost/revaluation		160,408		74,600	
Non-Capital					
Accumulated depreciation		(5,346)		(24,866)	
Impairment losses					
Correction of error					
<b>Carrying values at 30 June 2007</b>	<b>26,601,311</b>	<b>24,988,471</b>	<b>17,518,863</b>	<b>13,904,342</b>	<b>83,012,988</b>
Cost	26,607,238	39,093,284	23,029,903	19,924,364	108,654,789
Revaluation					
Accumulated depreciation	(5,927)	(14,104,813)	(5,511,040)	(6,020,021)	(25,641,801)
- Cost	(5,927)	(14,104,813)	(5,511,040)	(6,020,021)	(25,641,801)
- Revaluation					

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

The leased property, plant and equipment is secured as set out in Note 2.

The Municipality adjusted purchase dates of certain properties, with opening balances and adjustments during the year.

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

The Maluti Drakensberg Frontier Project donated furniture and equipment to the value of R111965 to the Municipality during the year. Assets to the value of R8266(cost) and R5 786(accumulated depreciation) were transferred to the Alfred Nzo District Municipality with department of Environmental Health department of Environmental Health. A motor vehicle with the value of R45 000(cost) and R39107(accumulated depreciation) was returned to Fleet Africa as it was leased.



**MATATIELE MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

	Note	2008 R	2007 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		101,538,871	105,913,200
Cash paid to suppliers and employees		(49,925,983)	(51,011,060)
Cash generated from/(utilised in) operations	33	51,612,887	54,902,140
Interest received		4,758,321	2,739,795
Interest paid		(260,227)	(273,124)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>56,110,981</b>	<b>57,368,811</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(21,479,048)	(26,602,699)
Increase in Intangible Assets		(713,832)	
Proceeds on disposal of fixed assets		63,387	97,600
Increase in Investment Properties			
(Increase)/decrease in non-current loans		6,897	4,156
Increase in non-current investments		(453,210)	(393,446)
(Increase)/Decrease in call investment deposits			
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(22,575,807)</b>	<b>(26,894,388)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New loans raised/(repaid)		(594,030)	(479,193)
Increase in consumer deposits		(35,331)	(51,210)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>(629,360)</b>	<b>(530,403)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>32,905,815</b>	<b>29,944,020</b>
Cash and cash equivalents at the beginning of the year		34,721,932	4,777,911
Cash and cash equivalents at the end of the year		67,627,747	34,721,931
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>32,905,815</b>	<b>29,944,020</b>



## **REPORT OF THE AUDITOR-GENERAL TO EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL OF MATATIELE MUNICIPALITY ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF MATATIELE MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008**

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Introduction**

1. I have audited the accompanying financial statements of the Matatiele Municipality which comprise the statement of financial position as at 30 June 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the Appendices A-F, as set out.

#### **Responsibility of the accounting officer for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by National Treasury and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007 (DoRA)]. This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

#### **Responsibility of the Auditor-General**

3. As required by [section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA)] and section 92 of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.



6. An audit also includes evaluating the:

- appropriateness of accounting policies used
- reasonableness of accounting estimates made by management
- overall presentation of the financial statements.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Basis of accounting**

8. The municipality's policy is to prepare financial statements in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the National Treasury, as set out in note 1 to the financial statements.

### **Audit opinion**

9. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Matatiele Municipality as at 30 June 2008 financial performance and cash flows for the year then ended, in accordance with basis of accounting determined by National Treasury and in the manner required by the MFMA and DoRA.

### **Emphasis of matter**

Without qualifying my audit opinion, I draw attention to the following matters:

#### **10. Going concern**

The municipality has been unable to recover some of its debtors which have been outstanding for more than 150 days. The credit control and debt collection policy has not been effective. This situation indicates the existence of material uncertainty that may cast significant doubt on the municipality's ability to continue as a going concern should the funding in the form of grants and subsidies be reduced or withdrawn.

#### **11. Significant uncertainty**

Included in the creditors' balance is an amount of R1,9 million being monies due to Alfred Nzo district municipality in respect of water and sanitation services. These monies have not been paid over due to an uncertain claim of loan amount paid by the municipality on behalf of the district municipality. Evidence of service level agreement signed by both municipalities in respect of these services could not be provided.

At the time of the audit the SARS consolidated statement of VAT balance due to the municipality could not be obtained. Consequently the net VAT debtor of R240 409 could not be reconciled.

#### **12. Suspension of the municipal manager**

On 27 August 2008 the municipal manager was suspended in terms of section 16 of the Municipal Performance Regulations promulgated as per the Municipal Systems Act, Act No. 32 of 2000). The investigation was still not yet finalised at the time of the audit.



### 13. Mayor's residence

The provision for housing of a mayor does not fall within the framework of the Public Office Bearers Act and will result in transgression of section 167 of the MFMA if occupied at no cost to the mayor or if the residence is let at less than a market related rate. An amount of R54 300 has been paid for mayor's residence at no cost to the mayor and is regarded as irregular expenditure.

### OTHER MATTER(S)

I draw attention to the following matter(s) that relate to my responsibilities in the audit of the financial statements:

### 14. Internal controls

Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the inefficiencies in the system of internal control, which led to the emphasis of matter paragraphs. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting item	Control environment	Risk assessment	Control activities	Information and communication	Monitoring
Going concern	√				√
Significant uncertainty	√		√		
Suspension of the m.m.	√		√		
Mayor's residence	√		√		

Control environment: establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.

Risk assessment: involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.

Control activities: policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.

Information and communication: supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allows people to carry out their financial reporting duties.

Monitoring: covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.



## Non-compliance with applicable legislation

15. **Non-compliance with the Municipal Finance Management Act, 2003 (Act 56 of 2003)**
- (a) Section 65(2)(e) requires money owing by the municipality to be paid within 30 days of receiving the relevant expenditure. Payments have not been made within the stipulated time frame.
  - (b) Section 11(4) minutes not obtained regarding consolidated report.
  - (c) Section 127(5) annual report was not tabled to council.
  - (d) Section 127 oversight report not adopted.
  - (e) Section 114 reasons for deviation from recommended tender were not reported.

16. **Non-compliance: Municipal Systems Act**

The municipality did not comply with the following sections of the Municipal System Act 36 of 2000;

- Section 57(2) no performance agreements with managers,
- Section 6 (2) (c) no fraud prevention plan.

17. **Non-compliance with the Supply Chain Management Regulations**

The following non-compliance with Supply Chain Management Regulations were identified :

- Contract documents were not always signed by the responsible parties.
- Tender validity period exceeded the prescribed 90 days.
- The code of ethical standards required by regulation 42 could not be provided.

## Matters of governance

18. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which we have assessed as follows:

No.	Matter of governance	Yes	No
	<b>Audit committee</b>		
1(a)	The municipality had an audit committee in operation throughout the financial year.		√
1(b)	The audit committee operates in accordance with approved written terms of reference.		√
1(c)	The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.		√
	<b>Internal audit</b>		
2(a)	The municipality had an internal audit function in operation throughout the financial year.	√	
2(b)	The internal audit function operates in terms of an approved internal audit plan.		√
2(c)	The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		√
	<b>Other matters of governance</b>		
3	The annual financial statements were submitted for audit as per the legislated deadlines in Section 126 of the MFMA.	√	
4	The annual report was submitted for the auditor for consideration prior to the date of the auditor's report.		√





No.	Matter of governance	Yes	No
5	The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		√
6	No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.		√
7	The prior year's external audit recommendations have been substantially implemented.	√	
8	There are documented policies and procedures and control systems to ensure the reliability of financial reporting.		√
9	There are documented policies and procedures and control systems to ensure compliance with applicable laws and regulations.		√
10	The information systems were appropriate to facilitate the preparation of financial statements that are free from material misstatement.	√	
11	Delegations of responsibilities are in place.	√	
12	Supply chain management policies and procedures were appropriately applied.		√
13	There is a functioning performance management system.		√
14	Based on the available information, performance bonuses are only paid after proper assessment and approval by those charged with governance.	√	
	<b>Implementation of Standards of Generally Recognised Accounting Practice (GRAP)</b>		
15	The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007.	√	
16	The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.	√	
17	The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008.	√	

## OTHER REPORTING RESPONSIBILITIES

### REPORT ON PERFORMANCE INFORMATION

19. I have reviewed the performance information as set out.

### Responsibility of the accounting officer for the performance information

21. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).



## Responsibility of the Auditor-General

22. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
23. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
24. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

## Audit findings (performance information)

### Non-compliance with regulatory requirements

25. The Performance Management System was not yet established as required by section 38 of the Municipal Systems Act, Act No.32 of 2000 and the responsibilities for co-ordination and management of performance information as required by section 51(h) of the said Act were not assigned. Consequently audit tests pertaining to the system could not be performed.
26. The performance information report could not be submitted together with the annual financial statements as required by section 16 of the General Notice No. 616 of 2008 dated 15 May 2008.
27. The key performance indicators and targets set by the municipality as a yardstick for measuring performance, including outcomes and impact, with regards to the municipality's development priorities and objectives were not included in the IDP as required by section 10 of the Local Government: Municipal Planning and Performance Management Regulations, 2001 (GNR 796 of 2001) and section 43 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).
28. Internal audit relating to performance and performance management was not performed during the period under review as required by Section 7 and 14 of the Local Government: Municipal Planning and Performance Management Regulations, 2001 (GNR 796 of 2001).

## APPRECIATION

29. The assistance rendered by the staff of Matatiele Municipality during the audit is sincerely appreciated.

Mthatha

28 November 2008



A U D I T O R - G E N E R A L



## **RESPONSE TO AUDIT REPORT**

Report of the Auditor-General on the Financial Statements and performance information of Matatiele Local Municipality for the year ended 30 June 2008.

---

1. Introduction

Noted

2. Responsibility of the accounting officer for the financial statements

Noted

3 - 7. Responsibility of the Auditor-General

Noted

8. Basis of accounting

Noted

9. Audit opinion

Noted

Emphasis of matter

10. Going concern

Council's Debt Collection and Credit Control Policy as well as the Indigent Policy are currently being reviewed. Once completed, it will be work-shopped with the community before adoption. Once Council has adopted the reviewed policy, it will have enforced strictly.

Further, a Customer Incentive Scheme is being developed in order to ensure that accounts are brought up to date and kept in that status.

11. Significant uncertainty

The amount owed to Alfred Nzo District Municipality has been played off against money owed by them for outstanding services rendered and loan repayments.

The VAT balance has been reconciled with SARS.



12. Suspension of Municipal Manager

The matter has been settled out of Court and the suspended Municipal Manager left the employment of Matatiele Local Municipality on 31 December 2008.

13. Mayor's residence

The mayor has his own residence in one of the rural villages. The mayor regularly has meetings that run until late at night. Often the mayor arrives late at night in Matatiele from out of town meetings. It is then risky or impractical to travel to his rural residence and be back in Matatiele the next morning at 07h30. An arrangement was therefore made with the local hotel to keep a room available for the mayor's use at short notice. The same arrangement is made for other councillors when the same situation applies.

Provision was made on the Budget to obtain a Mayoral Residence and the procurement process commence shortly.

14 – 20 Internal controls

The internal audit function will be shared with Alfred Nzo District Municipality and Council has appointed Alfred Nzo District Municipality's Audit Committee. A service provider has been appointed to develop a PMS as well as performance contracts for all staff down to level 10. Once all this has been implemented, control will improve and legislation will be complied with.

29. Appreciation

Noted



**ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008 Actual</b>	<b>2008 Under Construction</b>	<b>2008 Total Additions</b>	<b>2008 Budget</b>	<b>2008 Variance</b>	<b>2008 Variance</b>	<b>Explanation of Significant Variances Greater than 5% versus Budget</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>%</b>	
Executive & Council	<b>87,759</b>	-	87,759	9,596,000	(9,508,241)	-99.09%	Loan not approved all capital not done
Finance & Admin	<b>3,925,996</b>	-	3,925,996	18,882,113	(14,956,117)	-79.21%	Loan not approved all capital not done
Planning & Development	<b>50,284</b>	-	50,284	3,044,495	(2,994,211)	-98.25%	Loan not approved all capital not done.
Health	-	-	-	-	-	0.00%	
Community & Social Services	<b>0</b>	-	0	0	0	0.00%	
Housing	<b>0</b>	<b>5,009,432</b>	5,009,432	20,998,675	(15,989,243)	-76.14%	Still in process
Public Safety	<b>24,800</b>	-	24,800	2,145,000	(2,120,000)	-98.84%	Loan not approved all capital not done.
Sport & Recreation	-	-	-	250,000	(250,000)	-100.00%	Swimming pool will be done in the next year
Environmental Protection	-	-	-	-	-	0.00%	
Waste Management	<b>0</b>	-	0	1,917,968	(1,917,968)	-100.00%	Loan not approved all capital not done.
Road Transport	<b>12,492,742</b>	-	12,492,742	15,102,320	(2,609,578)	-17.28%	Still in process
Water	-	-	-	-	-	0.00%	
Electricity	<b>0</b>	-	0	8,849,762	(8,849,762)	-100.00%	Loan not approved all capital not done.
Other	-	-	-	-	-	0.00%	
<b>Total</b>	<b>16,581,581</b>	<b>5,009,432</b>	<b>21,591,013</b>	<b>80,786,333</b>	<b>(59,195,320)</b>	<b>-73.27%</b>	



**QUARTERLY INFORMATION ON GRANTS RECEIVED**  
**GRANTS (R)**

EC 441 Matatiele	Original Budget (R)	Adjusted Budget (R)	Actuals YTD (R)
<b>Grants Allocation Receipts</b>			
1. National	83,778,362	87,377,301	87,377,301
2. Provincial	22,022,000	22,022,000	22,022,000
3. Other grants	0	0	0
<b>Total</b>	<b>105,800,362</b>	<b>109,399,301</b>	<b>109,399,301</b>
<b>Expenditure against grant allocation</b>			
1. National	83,778,362	0	47,964,916
2. Provincial	22,022,000	0	5,984,739
3. Other grants	0	0	4,358,600
<b>Total</b>	<b>105,800,362</b>	<b>0</b>	<b>58,308,255</b>

Grants Allocation Receipts	Total Quarter 1 (R)	Total Quarter 2 (R)	Total Quarter 3 (R)	Total Quarter 4 (R)	Grand Total (R)
1. National	17,435,825	12,043,619	18,636,107	3,304,880	51,420,431
2. Provincial	363,800	367,838	316,901	22,089,137	23,137,676
3. Other grants	228,076	2,694	142,640	68,065	441,475
<b>Total</b>	<b>18,027,701</b>	<b>12,414,151</b>	<b>19,095,648</b>	<b>25,462,082</b>	<b>74,999,582</b>
<b>Expenditure against grant allocation</b>	<b>Total Quarter 1</b>	<b>Total Quarter 2</b>	<b>Total Quarter 3</b>	<b>Total Quarter 4</b>	<b>Grand Total</b>
1. National	11,041,834	14,717,834	10,844,304	11,360,944	47,964,916
2. Provincial	390,314	3,729,701	623,762	1,240,962	5,984,739
3. Other grants	1,760,487	1,005,421	765,095	827,597	4,358,600
<b>Total</b>	<b>13,192,635</b>	<b>19,452,956</b>	<b>12,233,161</b>	<b>13,429,503</b>	<b>58,308,255</b>





## GOVERNMENT GRANTS AND SUBSIDIES

PROJECTS	OPENING BALANCE 1 JULY 2007	RECEIVED	PAYMENTS -TRF TO REVENUE	CLOSING BALANCE 30 JUNE 2008
Grants - Cedarville Unspent	850	0	0	850
Grant- IDP Fund	129,571	0	-119,138	10,433
Grant - Lotto Matatiele Sports-fields	338,861	0	0	338,861
Grant - Consumer Awareness	19,041	0	0	19,041
Grant - Harry Gwala Electricity Area 1	1,422	0	0	1,422
Grant - Land Use Management	167,710	0	0	167,710
Grant - Buy Back Centre	43,616	0	0	43,616
Grant -Housing - Cedarville 200 sites Area A	15,797,562	1,276,078	-5,292,392	11,781,247
Grant - Swimming Pool Upgrade	506,545	0	0	506,545
Grant - Master Lease Program	1,000,000	0	-291,000	709,000
Grant - FBE Survey	45,000	0	0	45,000
Grant - Upgrade Mountain Dam Line	270,349	0	-64,519	205,830
Grant - Tyre Recycling Centre	12,981	0	0	12,981
Grant - Free Basic Services	140,536	0	-85,871	54,665
Grant - Capacity Building	289,191	65,389	-231,607	122,974
Grant - Community development Workers	18,672	0	-13,851	4,822
Grant - Transformation Fund	49,628	0	-49,628	0
Grants - MIG	1,053,912	13,367,075	-12,320,051	2,100,936
Grant - MFMA	100,000	0	-100,000	0
Umzimvubu Projects	10,320,307	0	-3,320,254	7,000,054
MDF ICT Grant	631,421	68,918	-474,640	225,698
MDF Policies Grant	102,465	7,857	0	110,321
MDF Asset Register Grant	165,422	13,359	-1,050	177,731
KZN IDP Support	50,000	0	0	50,000
KZN MPMS	50,000	0	0	50,000
KZN Development & Capacity Building	150,000	0	0	150,000
MSIG New Valuation Roll	178,910	0	0	178,910
MSIG Valuation Roll Update	55,445	0	0	55,445
MDF By-Laws Grant	15,934	1,101	0	17,035
MDF Performance Management Grant	71,240	0	-31,051	40,189
Equitable Share FBS Refuse	598,719	0	-133,709	465,010
Equitable Share FBS Electricity	247,271	0	0	247,271
FBS Refuse 07/08	0	1,406,124	0	1,406,124
FBS Elec 07/08	0	358,407	0	358,407
FMG 07/08	0	500,000	-493,958	6,042
MSIG 07/08	0	734,000	420,000	314,000
Conference Centre & Lodge	0	233,603	-232,360	1,243
Organizational	0	142,482	0	142,482
Establishment Plan	0	21,770,362	-35,979	21,734,383
Health Subsidy	0	2,153,613	-2,153,613	0
Subsidy: Roads	0	10,050	-10,050	0
Subsidy Museum	0	51,121	-51,121	0
Equitable Share	0	32,941,943	-32,941,943	0
	<b>32,622,581</b>	<b>75,101,482</b>	<b>-58,867,783</b>	<b>48,856,280</b>



## CHAPTER 5

### Functional Area Service Delivery Reporting



**MR. T. NGOZWANA – DIRECTOR: TECHNICAL SERVICES**

#### Technical Services Department

##### VISION

A department enhancing sustainable and quality technical services to communities we serve.

##### MISSION

To manage technical services that serves all communities within Matatiele Local Municipality.

##### OBJECTIVES

- Plan sustainable infrastructure development
- Provide municipal infrastructure
- Maintain and operate current infrastructure in terms of powers and functions
- Qualitative job creation and SMME development
- Skills development
- Project and quality contract management
- Resource mobilisation

#### Performances Areas

##### **Roads**

- Construction of new roads/streets
- Maintenance of existing roads/streets



### **Storm Water-**

Construct new stormwater structures  
Maintain existing stormwater structures

Construction of new cut-off drains  
Maintenance of existing cut-off drains

### **Community Facilities and Amenities**

Construction of new community facilities and amenities  
Maintenance of existing facilities and amenities

### **Electricity-**

Maintain current installations  
Infrastructure refurbishment  
New electrical connection  
Reduce illegal connections, etc.  
New street lights  
Faults repairs  
Reduce faults

New electrical connections  
Refurbishment of existing electrical infrastructure  
Revenue protection  
Provision of new street lights  
Repair of electrical faults

### **Solid Waste-**

Refuse removal  
Waste management  
Operate landfill site (s)

### **Function: Roads and Transport** **Sub Function: Roads**

The Municipality is responsible for the construction and maintenance of roads, streets, and stormwater systems. All major capital and specialized works are outsourced. In house teams are responsible for minor and routine maintenance works.

### **Personnel**

The function is executed as follows:

Consultants are employed for the majority of design and supervision of capital works, as and when required. The cost of the service is included in the project budget.  
There are two (2) managerial/technical personnel  
Two (2) technical/supervisory personnel  
Two (2) Young Professionals / assistants from the Development Bank of South Africa  
1 clerical



100 general workers

The total cost to employer is R2,170,845.76

**Total number, kilometers and total value of road projects planned and current:**

*Repair Surfaced Roads*

*Road Marking*

**Total kilometers and maintenance cost associated with existing roads provided**

Repair Surfaced Roads

4500 m<sup>2</sup> of verge tarred at a cost of R270,000

2500 m<sup>2</sup> of pavement repairs at a cost of R158,000

3,500 m<sup>2</sup> of tar road was maintained at a cost of R245, 000

3 km of kerbs and channels were constructed at a cost of R480,000

50 stormwater pipes were installed in driveways at a cost of R20,000

Grade Gravel Roads

10km of gravel road was maintained at a cost of R500, 000

Nkhoesa Mofokeng EPWP

288 members of the community were employed under the Nkhoesa Mofokeng ward based EPWP project at a cost of R2,736,000

Grass Cutting

3 small contractors at a cost of R2,420,000

Road Marking

500 metres of road was marked at a cost of R50,000

Systems

The Municipality currently does not have a Roads Infrastructure Master Plan, or a Pavement Management System. Therefore all maintenance work is carried out on an as required basis.

The backlog is as follows:

100km of tar road and 2,361km of gravel road



### Training

Three (3) members of the Technical Services Department attended a Project Management Course, which was presented under the auspices of the DBSA Vulindlela Academy

**Function: Facilities Maintenance**  
**Sub Function: Buildings**

This function falls under the management of the Roads and Stormwater division. Due to lack of qualified personnel, the majority of the work is outsourced.

**Function: Electricity**  
**Sub Function: Electricity Distribution**

The electricity purchase and distribution functions of the municipality are administered as follows:

The municipality purchases bulk electricity from ESKOM for distribution in its license area of Matatiele town. The license for the town of Cedarville, the peri-urban area of Maluti and the rest of the Municipality, including farms and rural areas is held by Eskom. .

### Systems

The Matatiele Local Municipality has yet to undertake the necessary Section 78 ring fencing study in line with new legislation.

### Personnel

The function is executed as follows:

Consultants are employed for the design and supervision of electricity capital works, as and when required. The cost of the service is included in the overall project budget.

Due to lack of qualified personnel, a local electrical firm provides standby services. The cost of the service is R84,000 per financial year

The number and category of in-house personnel is as follows:

- There are two (2) electrical artisans/supervisory personnel.
- There are 6 general workers in the Electrical Division

These are responsible for both electrical distribution and streetlights

- Transformers replaced at a cost of R150,000
- Servicing of existing transformers, including oil change at a cost of R75,000
- Removal of old overhead lines at a cost of R50,000



The number and cost of new connections is as follows:

- There were thirty five (35) new connections at R3,500 each
- There were 150 disconnections and reconnections during the reporting year.

The following are the anticipated expansion of the electrical services

- The new industrial area in Matatiele
- The 200 houses in Cedarville
- The 306 houses at Itshokolele
- The 500 houses in Harry Gwala in Matatiele
- The 60 houses in the proposed area J residential area
- The proposed Buxton Park Extension area

The total cost to employer for all electrical division employees is R871,777.19

#### Training

No training was provided during the reporting period

**Function: Electricity**  
**Sub Function: Street Lighting**

Street lighting responsibilities of the municipality are administered as follows:

The municipality is the license holder within the town of Matatiele  
Eskom is the license holder in Cedarville, Maluti and the rest of the Municipality. The staff of the municipality maintains all the street lights in Matatiele. ESKOM maintains all the streetlights in its license areas under contract.

There are 1,200 streetlights within the municipality.  
20 new street lights were installed  
The FM tower line maintained at a cost of R25,000

**Function: Waste management**  
**Sub Function: Solid Waste**

The collection of refuse within the municipality is performed in various ways; namely:

- Small contractors are contracted to collect refuse within the town of Matatiele.
- The function is performed in-house within the remaining urban and peri-urban areas of Cedarville and Maluti.
- There is currently no refuse collection service in the rest of the municipal area which is predominantly rural.

The municipality has one formal landfill site which serves the town of Matatiele and Maluti. Only domestic household waste is accepted at this site. The management and operation of





this facility has been contracted out for a period of thirty six (36) months. This contract made provision for the closure of the old landfill site.

The municipality is in the process of introducing proper waste management, including waste recycling. This has been identified as a vehicle for creating jobs and cleaning up the environment.

The cost of the service is as follows:

In-house

Cedarville	R158,000 per annum
Maluti	R135,000 per annum
Harry Gwala	R95,000 per annum

Contractors

Kopano	R615,000 per annum
Matefloma	R505,000 per annum
Eyethu	R775,000 per annum

Landfill Operation

R850,000 per annum

Personnel

Due to budgetary constraints, the management of the function is currently undertaken by the Roads and Stormwater Division. The rest of the workforce is as follows:

- 2 Drivers
- 6 general workers

The total cost to employer is R438,955.41

Training

No training was offered during the reporting period.



**GENERAL MANAGER: CORPORATE SERVICES**  
MR. Z.J. MKHIZE

### **Corporate Services Department**

*The following statistics indicate the usage of the service for the period 1 July 2007-30 June 2008;*

**The Key Performance areas of this Department are:**

- ***Municipal Transformation and Organisational Development and***
- ***Good Governance***

In order to keep track as to where our Department is heading for, it is always advisable to touch base with our Vision and Mission as adopted at the Strategic Planning workshop held in Durban on 25 to 29 February 2008.

#### **VISION**

A Pro-active Department that is dedicated to ensure capacity for quality service delivery.

#### **MISSION**

- To provide support and administrative services;
- To provide training and development for Councillors and employees;
- To develop Human Resources and Administration policies for the proper functioning of the Municipality; and
- To ensure recruitment and selection of appropriately qualified personnel.

#### **VALUES**

- Respect;
- Honesty and Ethical behaviour;
- Transparency;
- Accountability;
- Professionalism and
- Responsibility.



### **The Role, Functions and Responsibilities of the Department are as follows:**

- Administration
- Human Resource Management
- Registry and Archives
- Executive and Council Support
- Labour Relations
- Information Technology
- Legal Services

Since inception, this Department has been running with skeleton staff, and this adversely affected it in discharging its responsibilities and carrying out its functions as expected.

### **ORGANOGRAMS**

Departmental organograms has been drawn up and approved by Council. Critical posts have not been filled due to lack of funds. It is planned to fill most posts over the Medium Term Expenditure Framework period.

### **LEASE OF OFFICE SPACE**

#### **CRACOVIA TRUST**

The premises situated in High Street, opposite the First National Bank and owned by **CRACOVIA TRUST**, have been leased for a period of three years with effect from 01 December 2008 to 30 November 2011. These will be occupied by Budget & Finance Department in the course of February 2009. Architects are currently busy with partitioning. The monthly rental is Thirty Three Thousand Seven Hundred and Forty Four Rand Only (R33,744-00) per month including VAT.

#### **MILK DEPOT OFFICE SPACE**

In order to further address the shortage of office space in the municipal building, a lease agreement has been entered into with Marlene Jacobs for thirteen offices in Pope Lane for a period of twelve (12) months with effect from 01 December 2008.

The total monthly rental is Eleven Thousand Rand (R11,000-00) including VAT.

The Economic and Development Planning Department and Community Services Department moved into these offices with effect from 01 December 2008.

The Technical Services Department will continue occupying the Maluti Offices.

Corporate Services Department, the Mayor's Office, the Speaker's Office, the Whipperry and Municipal Manager's Office will remain in the municipal building and offices will be re-allocated.



## **EXECUTIVE AND COUNCIL SUPPORT**

The Department is also responsible for the provision of support in the form of document preparation and minute taking for the Council and its Committees.

It also has to ensure compilation, monitoring and implementation of Council Resolutions. This important function is not receiving the timeous attention it deserves because of lack of capacity. The pace at which Council Resolutions are monitored and implemented needs urgent attention. It is planned to allocate this function to a specific senior official who will ensure timeous implementation, follow-up where necessary and report-back as often as necessary.

## **LABOUR RELATIONS COMPONENT**

This component is also not in place at the moment. This affects, among other things:

- proper maintenance of relationship between the municipality and recognized trade unions;
- handling of bargaining council issues and
- processing grievances and disciplinary matters.

## **ARCHIVES/REGISTRY**

This component is responsible for implementation and maintenance of procedures and systems associated with controlling document and correspondence flow, storage, retrieval and disposal in terms of the National Archives Act. The challenges relating to partitioning, shelving, appropriate equipment and software are being addressed through the establishment fund.

A high volume photocopier has been purchased and installed in this component. This has greatly reduced the strain of document preparation relating to Council meetings and its committees.

## **INFORMATION TECHNOLOGY**

This service is currently outsourced because there is no in-house capacity. The service provider is situated some 300km away from Matatiele and visits the municipality once in two weeks. It is no doubt clear that this is an unsatisfactory arrangement as it affects efficiency in work performance. The turn-around time is unreasonable as computer users have to wait for a long time before their hardware/software or network related problems are attended to.

A network Controller is to be employed internally once funds permit, so as to address this problem.

## **LEGAL SERVICES**

Matters of a legal nature are to be attended to by this Department. Some matters are already being attended to. Lack of capacity, office space and relevant equipment and material hamper the performance of this important function. It is planned to address the shortcomings on an incremental basis when circumstances permit.



## **ADMINISTRATION AND HUMAN RESOURCES POLICIES**

The absence of certain Administration and most Human Resources Policies has been hampering the smooth functioning of the Municipality. A total of thirty-five Administration and Human Resources Policies have been developed and are being implemented. These will help a great deal in providing clarity or certainty and also streamlining processes within the Municipality.



**GENERAL MANAGER: ECONOMIC DEVELOPMENT AND PLANNING**  
MS. K.E. KABI – NOMBUNGU

## **ECONOMIC DEVELOPMENT PLANNING**

### **NATURE RESERVE**

#### **MISSION**

To conserve the natural and cultural heritage as well as the scenic beauty of the area for the socio-economic benefit, education and enjoyment of present and future generations in partnership with stakeholders

#### **OBJECTIVES**

1. Create a safe and secure environment for all Matatiele Nature Reserve visitors and staff
2. Conserve and protect the cultural heritage of Matatiele Nature Reserve
3. Establish and maintain effective partnerships with relevant stakeholders
4. Ensure effective conservation and sustainable use of the biodiversity and landscape of Matatiele Nature Reserve
5. Develop a resource utilisation policy as well as a tourism management and marketing plan for Matatiele Nature Reserve
6. Implement research and monitoring programmes for decision-making in an active adaptive management approach
7. Ensure the support and involvement of Matatiele Nature Reserve in the Maloti Drakensberg Trans-frontier Conservation and Development Strategy
8. Inculcate an appreciation and respect for our natural and cultural heritage, diverse cultures and fellow human beings through a process of education and engagement with the environment.



## PERFORMANCE AREAS

### 1. VELD MANAGEMENT

#### Picture 1.

Showing burning of fire lines with neighbouring Farmers



- Fire line bordering neighbouring farms and local villages on the western boundary was burnt conjunction with farm owners.
- Arson fires that took place within the MNR boundary was assumed to be caused by illegal dwellers, cattle grazers and smugglers

Northern section (Wilfried Baur)

- Fire lines were burnt by MNR Staff over a two week period due to weather conditions

#### **Law enforcement**

Regular foot and vehicle patrol are conducted by Field Rangers.

- Six (6) **Hand Grenades** were found in the town dam. The Matatiele SAPS was informed, after which the bomb squad was called to deal with the matter. The first three bombs (S.A. manufacture) were detonated at the dam and the latter were taken away.
- 21 **illegal settlement/ houses** were discovered in the area
- **Illegal grazing and Muthi harvesting** from neighbouring community members has been an ongoing problem.





## **Alien Plant Clearing**

Removal of Alien *Acacia* species was conducted in April, creating 30 jobs opportunities for the local communities.

## **2. RESEARCH AND MONITORING**

- Informal **Birding** is current in and around borders of the reserve as well as Field rangers who do within borders. The results have proven to be successful hence a number of rare and unique species have been identified and recorded.
- **Culling** of 40 Wildebeest in Wilfried Baur ensured the required carrying capacity for the reserve is maintained
- **Animal species count** is done regularly. Tables below give illustrations

### **Wilfried Baur**

Species	Amount
Zebra	2
Springbok	2
Blesbok	94
Wildebeest (Blue)	32
Reedbuck (Common)	4

### **Mountain Lake & surrounding areas**

Species	Amount
Blesbok	8
Reedbuck (Common)	16
Reedbuck (Mountain)	6
Chacma Baboon	50

## **3. ADMINISTRATION**

- Six (6) Field Rangers were appointed after attending a six weeks training course at Southern African Wildlife College.
- 30 persons were appointed on a contract basis to clear alien plants (MDTP funding).

### **Income**

Culling	MLM	R 40 000
Salaries for Contract Workers	MDTP	R 45 000



#### 4. **ECOTOURISM**

The ten-year Mountain Lake Lease/ Angling Club (Matatiele Angling Society) expired end of February '08. The municipality took over the overall management of the area and property thereof as per contract agreement.

The Club still exists; however annual angling fees are paid to the Municipality and are subject to 10% annual increase.

- 1.1 **Angling** - An amount of **R 12 500** was spent on purchasing and transporting of two thousand (2 000) Trout hatchlings to Mountain Lake, as per according to annual stocking rate.
- 1.2 Application of Financial tariffs for services rendered were approved by the MLM Council

#### **Tariffs spreadsheet**

Angling – per person. per rod	Annual	R 350
Angling – per person. per rod	Per day	R 50
Accommodation – per night	6 bed chalet	R 350
Accommodation – per night	4 bed chalet	R 250
Camping – per night	Per site	R 75
Wood sale	Per ton load	R 75

#### **SPECIAL PROGRAMMES & PROJECTS**

- **GATEWAY OFFICE COMPLEX** – The MDTP (through World Bank) has agreed to provide R2.4M to construct the nature reserve office block at the main gate entrance. However, due to technical challenges, unexpected delays were experienced and the construction could not take off.

MDTP has made an application to World Bank for extension period in which the funding could be used.

- **STAKEHOLDER LIAISON FORUM** – As per one of the management objectives, i.e., to establish and maintain effective partnerships with relevant stakeholders. The eight (8) member Liaison Forum was established to bridge that gap between the local communities and the nature Reserve Management.
- **ROAD REPAIRS** – The District Municipality took an initiative to repair the main nature reserve roads, i.e. Mountain Lake and Town Dam. However, only four (4) kilometers were completed.



**Picture, showing before and after the repairs**



**2007**



**2008**

- **GATE CONSTRUCTION** – A 350m meter fence with gate were constructed at the nature reserve entrance to allow controlled access to the area to citizens using automobiles.
- **DISTRICT ENVIRONMENTAL MANAGEMENT FORUM (DEMF)** - The National Department of Environmental Affairs and Tourism (DEAT), Alfred Nzo District Municipality, Regional Department of Economic Development and Environmental Affairs (DEDEA) and Environmental Health (EH) have taken an initiative to form an **Environmental Management Forum**.

The forum main aim is to assist both local Municipalities with all issues of environmental concern.

- **Integrated Management Plan & Concept Development Plan** – The MDTP completed the compiling of the plans and have submitted to the Municipality.



## **MUNICIPAL BUDGET & FINANCE DEPARTMENT**

### **VISION**

Ensure sound & fraud-free Financial Services.

### **MISSION**

To establish an organization capable to advise the Municipal Council and Management on financial matters, financial resources required to sustain services, how to raise such funds, to collect all revenue due and to meet legislative obligations.

### **SLOGAN**

Financial Services with Integrity

### **VALUES**

- Creating a conducive working environment
- Promoting Employment Equity
- Promoting Capacity Building to staff and clients
- Rendering a Professional Service to all our people
- Promote the Batho Pele Principles

### **OBJECTIVES**

- Management of Municipal Assets & Risks
- Management of Municipal Revenue
- Management of the Municipal Budget
- Performance of the Treasury Function
- Maintenance of Internal Financial Control
- Production of Financial Performance Reports
- To Retain the Financial Viability of the Municipality
- To maximize the amount of Capital Budget spent on IDP related projects



## CHALLENGES & SOLUTIONS

CHALLENGES	SOLUTIONS
Non-availability of Policies	Policies to be developed and implemented
Volume of Financial Reports	IT systems to be improved/developed
Staff training and development	Adequate Budget Provision
Revenue Collection	Strict adherence to Council Policies
Increase Revenue Base	Municipal wide SDF Land provision LED activities

## FINANCIAL PLANNING

The capital projects are directly linked to the budget after consultation with communities. The needs are then prioritised and included in the budget. The Council receives monthly financial reports, i.e. income and expenditure of budget. Daily cash flow reports are produced to ensure available cash at hand. Annual Financial Statements (AFS) have been submitted up to end June 2008. These financial statements have been converted from IMFO to GAMAP/GRAP statements in line with Local Government modernization of finance management. As a medium capacity municipality Matatiele Local Municipality was required to convert AFS to GRAP standards by 30 June 2008. However, Matatiele Local Municipality's AFS were converted by 30 June 2006, with certain exemptions which were authorized by National Treasury.

The Audit Report was received from the Auditor-General's Office on 30 November 2008.

A Debt Collection and Credit Control Policy is in place.

Matatiele Local Municipality has succeeded up to now to be financially sustainable and to meet all our liabilities, for example:-

- All our creditors have been paid promptly (monthly)
- Eskom has been fully paid monthly
- Staff Costs and Council Allowances have been met monthly
- All Council services, **including free basic services**, have been delivered
- Asset maintenance and management has been adhered to, so as to enhance asset lifespan and derive maximum benefit from usage.
- Surplus cash has been invested regularly when it occurred.
- No external loans have been made

Matatiele Local Municipality is anticipating in paying our payroll creditors per electronic version so as to reduce the cost of bank charges. Our daily bank reconciliation is being





administered in such a way to detect financial fraud, theft and any unwanted mismanagement of money.

A Supply Chain Management (SCM) Policy has been developed and implemented. However a Supply Chain Management Unit must still be established. Currently existing staff perform the duties of the SCM Unit over and above their normal duties. This situation leads to delays in the awarding of bids.

Cash Management Policy has been adopted by Council to improve financial management and administration. Internal financial controls, such as payment procedures, income receipts, charges, debt collections, etc. are in place, implemented and audited by Internal Audit Unit of Council.

An Investment Policy has been adopted by Council to maximize the profit with any idling/surplus funds by investing it promptly.

### Equitable Share

The Council receives an Equitable Share Grant from National Treasury. The grant allocations assist the municipality to provide free basic services to its registered indigents. Free basic services provided are electricity and refuse removal.

The figures for equitable share are as follows:

YEAR	AMOUNT
2004	2 735 000
2005	3 381 000
2006	4 155 000
2007	18 597 817
2008	32 941 943

### Electricity

Electricity sales to the different categories of clients

#### Total electricity sales by category (Eskom and municipality) 2008

CATEGORY	AVERAGE SALES PRICE (C/KWH)	NUMBER OF CUSTOMERS	% OF TOTAL	MWH SALES	% OF TOTAL
Domestic	36.82	2729	82.77	3,698,079.19	13.78
Commercial	44.22	521	15.80	20,169,979.35	75.13
Education	27.00	9	0.27	157,987.00	0.59
Municipality	48.00	17	0.52	261,583.00	0.97
Agriculture	48.00	2	0.06	3,578.00	0.01
Manufacture	48.00	1	0.03	3,378.00	0.01
Government	48.00	18	0.55	2,551,208.00	9.50
<b>Total</b>	<b>251.10</b>	<b>3600</b>	<b>100.00</b>	<b>26,845,792.54</b>	<b>100.00</b>



### Households receiving free basic services at 30 June 2008

The table below compares households that received basic services with households that received free basic services during 2006/2007 and 2007/2008

Ward	NUMBER OF HOUSEHOLDS RECEIVING BASIC ELECTRICITY	FREE BASIC ELECTRICITY	
		No. of households 2007/2008	Percentage
Ward 19	2176	61	1.25
Ward 20	1615	1329	27.24
Ward 21	1087	304	6.23
<b>Total</b>	<b>4878</b>	<b>1694</b>	<b>34.75</b>

